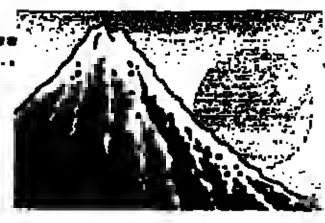
FINANCIAL TIMES

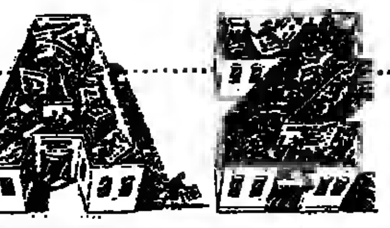
START THE WEEK WITH..

Legal big bang: US–UK mergers
Robert Rice, Page 16



Rising sun: Japan's recession ending?
William Dawkins, Page 17

Crash landing: Schisano at Alitalia
Andrew Hill , Page 8



Business Travel
Business Schools
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World Business Newspaper MONDAY OCTOBER 16 1995 D8523A

Political crisis in Turkey as Çiller loses key vote

Turkish prime minister Tansu Çiller (left) lost a vote of confidence in parliament by a wider than expected margin and was forced to resign, pitching the country deeper into political confusion. Only 191 out of 421 MPs supported Mrs Çiller's conservative True Path party. President Süleyman Demirel must now set about overseeing the formation of a caretaker government to run the country until elections can be held. Page 18; Editorial Comment, Page 17

Law firms braced for mergers: Leading London and New York commercial law firms are believed to be preparing for a series of mergers similar to those which led to the creation of the big six accountancy firms in the 1980s. Page 18; Urge to merge over the Atlantic, Page 16

Bhutto confirms army arrests: Pakistan's prime minister, Benazir Bhutto, confirmed that a number of army officers had been arrested, but would not confirm they were suspected of planning a coup. Page 5

Six Israeli soldiers killed in Lebanon: Hizbollah guerrillas in south Lebanon killed six Israeli soldiers and seriously injured two after planting a roadside bomb which destroyed the soldiers' armoured personnel carrier. Page 6

Bonn told to curb spending: Germany finance minister Theo Waigel ordered a clampdown on government spending to combat lower than expected tax revenues. Page 18

European car sales fall: Car sales in western Europe fell 3.7 per cent last month compared with September 1994, damping manufacturers' hopes for a significant upturn in demand this year. Page 2

McGraw-Hill looks at academic publishing: US financial service and information group McGraw-Hill may move into electronic academic journal publishing to confront specialists such as Anglo-Dutch group Reed Elsevier. Page 19

Power group plans special dividend: Yorkshire Electricity plans to offer shareholders a £300m ($465m) special dividend as speculation mounts that it will be the next UK regional electricity company to receive a bid. Page 20

Rank Xerox expands UK production: International copier company Rank Xerox has switched a significant portion of its production from Japan to its British factory. Page 7

GEC denies Weinstock successor chosen: General Electric Company of the UK denied it had chosen a successor to managing director Lord Weinstock, 71. Page 19

Russians kill hijacker: Russian security forces stormed a hijacked bus in Moscow and shot dead an unidentified masked gunman who had held 27 South Korean tourists for 10 hours. Page 3

US trade official tours Ireland: A senior US trade official today begins a week-long tour of Ireland. The White House said the mission was a follow-up to the conference for trade and investment in Ireland held in the US in May. Page 7

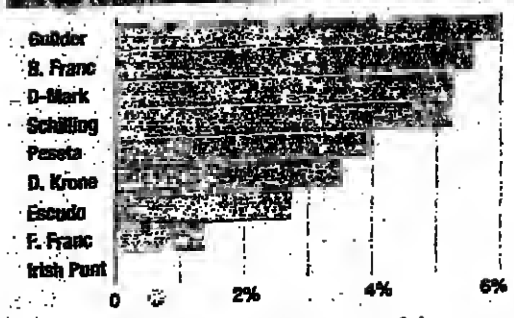
Moscow pledges funds for Cuban reactor: Russia promised to give Havana the money and technology to finish building a Soviet-era nuclear reactor in Cuba, officials said. Page 3

Call for ban as boxer dies: The British Medical Association called for for a ban on boxing following the death from brain injuries of James Murray, 25. He was knocked out on Friday in a British bantamweight title fight against Drew Docherty in Glasgow which ended in brawling between rival supporters. Page 7

Correction - Salomon Brothers: On October 13, the Financial Times incorrectly reported that Salomon Brothers had failed to uncover more than $800m in losses for several years. In fact, Salomon *Inc took* $278m in pre-tax charges in the fourth quarter of 1994 arising from accounting errors over several years. We apologise for the error.

European Monetary System: The Austrian schilling, which is closely tied to the D-Mark, was unaffected in the EMS grid last week by the collapse of Austria's the coalition government. The French franc made up ground when the prime minister avoided a threatened prosecution. The Danish krone and the escudo changed places, while the spread between strongest and weakest currency *was little changed.* Currencies, Page 33

EMS Grid October 13, 1995



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Project delays loom as UK and Germany dispute production shares

Eurofighter talks hit impasse

By Bernard Gray, Defence Correspondent, in London

Britain and Germany are at an impasse on the division of manufacturing work in the £32bn ($50bn) Eurofighter programme. Despite continuing meetings there is little sign of a narrowing of differences.

The agile air-superiority fighter is seen as central to the future of the partners' aerospace industries. As well as Britain and Germany, Italy and Spain are also participants in the project. These four countries alone are expected to order 600 aircraft, and there are hopes of sales alsewhere.

A decision to go ahead with production was originally expected by the end of the year, but officials now say the delays mean it may not be possible until well into 1997.

Senior military officers are due to meet today in Germany in an effort to resolve the deadlock, but little substantive progress is expected. If the two sides cannot resolve their differences soon, further delays will increase the risks to the Eurofighter programme, and provide ammunition for its critics.

Problems have arisen because Germany has cut the number of Eurofighters it wants from 250 to 140. Under the memorandum of understanding which governs the project, the proportion of production work each country is entitled to is determined by the number of aircraft it agrees to buy.

Confidence grounded ....Page 7
Editorial Comment ....Page 17

Both Britain and Germany originally wanted 250 Eurofighters, entitling them to 33 per cent of the production work each. However, the cnt in German numbers to 140 reduces its share to 23 per cent and increases Britain's to 41 per cent. The two other countries involved, Italy and Spain, have kept their orders roughly constant.

Germany has refused to accept the reduced share, despite having signed an updated version of the memorandum in July, which sets out the production agreement clearly. Germany insists it must have at least a 30 per cent share if it is to remain in the project.

To resolve the difficulty, Britain has proposed that Germany should be allowed a 30 per cent share, while Britisb Aerospace should become the prime contractor running the Eurofighter project.

However, Germany has so far rejected tbe deal, primarily because it is not acceptable to Daimler-Benz Aerospace, whicb is unwilling to see BAe gaining leadership of Eurofighter.

Instead, Germany argues thet each country should build 140 aircraft on the basis of the 33 per cent work shares used in the development phase. Work would later be reallocated if Britain bought more aircraft.

The Britisb proposal would giva German companies DM2bn ($1.4bn) of work which they were not entitled to under the memorandum, according to officials at the British Ministry of Defence.

Becoming prime contractor would give BAe advantages in marketing the Eurofighter for export, allowing it to recoup some of the work it had lost.

The German position is unacceptable to the British. "The Germans have been very inflexible about this," said one senior military figure close to the negotiations. "If they do not like the proposed deal we can always go back to the memorandum and they can have 23 per cent of the work."

Bell and BT to pull out of bid for stake in Belgacom

By Emma Tucker in Brussels

British Telecommunications and Bell Atlantic, the US telecoms group, are to withdraw their bid for a stake in Belgacom because they fear that the measures required to turn the troubled Belgian state telecoms operator into a profitable company would prompt serious industrial unrest.

The joint bidders also have grave reservations about the figures given to them by the Belgian government and have doubts about Belgium as a strategic investment location.

The decision will be a blow to the Belgian government's privatisation programme. Belgacom is the centrepiece of its privatisation ambitions and the government was hoping to choose a high-profile strategic partner for the company.

The withdrawal leaves only two bidders – Swiss Telekom with KPN, the partially privatised Dutch post and telecom operator, and Ameritech, a US operator.

The winner will have to battle to restructure the company before 1998 when telecoms services in the European Union will be opened to competition.

Belgacom's 4.5m lines give it an asset valuation of about $9bn. The government is making more than 25 per cent of the company available, generating proceeds of about $1.5bn. The winning bid is expected to be announced at the end of November.

BT and Bell Atlantic fear that Belginm's highly protective employment laws will turn streamlining the company into a battle between management and unions. BT yesterday declined to comment but an analyst said: "Restructuring along lines similar to those we have had in the UK would be hugely difficult, if not impossible."

Belgium has strict employment laws and its workforce remains highly unionised. With unemployment running at over 12 per cent, the government has shied away from large-scale public sector redundancies.

Belgacom is one of Belgium's biggest employers with a workforce of 26,000. Mr Elio Di Rupo, the Belgian telecoms minister, has said that the highest bidder will not necessarily be awarded the privatisation contract. The contenders will also be judged on their ability to preserve as many jobs as possible.

But large-scale redundancies have not been ruled out by Mr John Goossens, the chief executive of Belgacom, whn has already started to restructure.

The company, in spite of improvements, suffers a reputation for being costly and inefficient and is saddled with vast pension liabilities estimated at more than BFr140bn ($4.62bn).

Saddam awaits an outpouring of loyalty

Iraqis in Baghdad voting in a referendum in which they have been asked to say Yes or No to Saddam Hussein's continued presidency. With the outcome certain the only question is the margin of Saddam's victory with diplomats expecting support close to 100 per cent. The vota is believed to be aimed at sending a signal to the west that Saddam has no intention of stepping down. Report, Page 6 Picture: Reuter

Gemina puts off Ferfin merger and reshuffles board

By Andrew Hill in Milan

Gemina, the Italian investment company, has bowed to intense outside pressure and postponed its controversial plan to merge with Ferruzzi Finanziaria (Ferfin), the holding company which controls tha Montedison industrial group.

The delay represents an embarrassment for Italy's business establishment, headed by Fiat, the automotive group, and Mediobanca, the Milan merchant bank, which are also Gemina's main shareholders. Until the middle of last week they seemed determined to press ahead with the original timetable for the merger.

Soma observers even suggested yesterday that the market's adverse reaction last week to the Gemina deal was partly to blame for Mr Carlo De Benedetti's decision on Saturday to postpone rights issues for the two holding companies through which he controls Olivetti, the troubled computer company, of which he is chairman.

Early on Saturday, after emergency board meetings of the seven quoted companies involved in the Ferfin merger, Gemina announced the postponement of the plan and a reshuffle of its board, in an attempt to deflect the impact of a judicial investigation into alleged falsification of accounts at the group.

Milan magistrates are investigating unexpected losses uncovered at RCS, Gemina's publishing and media subsidiary. They are not examining the so-called SuperGemina deal, which would create Italy's second largest private industrial company.

According to the outline plan, Gemina would absorb Ferfin, and Fiat would transfer four of its chemicals and bioengineering companies to the new enlarged group. All the companies said on Saturday that they still believed in "the validity of the planned merger".

Bnt investors, analysts, and market autborities have launched repeated attacks on Gemina over the last week, for its failure to inform the market adequately about the situation at RCS. The share prices of all companies directly or indirectly involved have been hurt, upsetting attempts to fix terms for the merger.

Rights issues postponed ....Page 21

Thesa adverse market conditions deterred banks from underwriting capital increases proposed last month for the De Benedetti holding companies, Cir and Cofide. However, the same banks announced on Saturday thet they were ready to underwrite the record L2,257bn (£901m) capital increase for Olivetti.

Mediobanca is the principal adviser on both the Gemina and the Olivetti restructuring.

On October 7, magistrates notified 10 exectives and former executives of Gemina and its subsidiaries that they were under investigation in connection with the RCS affair, including the chairman, deputy chairman and managing director of Gemina.

Croatian attack feared on Serb-held E Slavonia

By Laura Silber in Zagreb

Thousands of Croatian troops were on the move yesterday, heightening fears that Zagreb is preparing to seize Serb-held eastern Slavonia after talks scheduled for today were called off because of disagreements about where to hold them.

Diplomats were trying at the weekend to shore up their collapsing peace initiative – which envisages transitional rule over the disputed region – after the Croatian government blocked today's talks witb rebel Serb leaders by insisting on a change of venue.

Croatian military intervention in eastern Slavonia, which would result in another flood of refugees into Serbia, could prompt Belgrade to intervene and spark a wider conflict.

But President Slobodan Milosevic of Serbia is said to have put pressure on local Serb leaders to reach an agreement with Zagreb because be wishes to avoid involvement and bring an end to sanctions against his country.

The UN reported that 2,500 out of 12,000 troops had failed to return to their garrisons on the Adriatic coast.

The battalions include the Tiger brigade, a crack unit used in the Croatian offensive last August which crusbed tbe self-styled Serb state of Krajina, and parts of a mechanised unit with some 30 tanks and other military equipment, said the UN.

"We will have to see what happens on the ground – at this point it would be too soon to say that the troops are in place to launch an offensive," Ms Leah Melnick, a UN official in Zagreb, said.

Zagreb has warned that it will seize the fertile and oil-rich land unless the Serbs accept Croatian rule before the UN mandate expires at the end of November.

At the weekend, President Franjo Tudjman told a congress of his ruling Croatian Democratic Union tbat gaining control of eastern Slavonia, the last bit of land still under Serb control, "is top priority either by peaceful or other means". He added: "We do

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Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30		
Bulgaria	Lw110.00	Iceland	IKr220	Nigeria	Naira60	Slovak Rp	Sk60		
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00		
Czech Rp	Kč55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250		
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17		
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60		
Estonia	EKr 20	Jordan	JD1.50	Poland	Zł4.20	Syria	S£50.00		
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500		
France	FFr11.00	Lebanon	US$1.50			Turkey	L60,000		
Germany	DM3.60	Lux	LFr70			UAE	Dh12.00		

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NEWS: INTERNATIONAL

Scandal threatens Swedish party bid

By Hugh Carnegy in Stockholm

Ms Mona Sahlin, Sweden's deputy prime minister, will announce today whether she will withdraw her candidacy to succeed Mr Ingvar Carlsson as prime minister when he retires next year. The move follows a spate of embarrassing revelations about her use of official credit cards.

"As things feel now, I should do something else. I don't believa that I can be party leader," she told the daily newspaper Aftonbladet, a staunch supporter of her Social Democratic party and of her so-far uncontested bid to be premier. "I am so sorry about everything. I can hardly speak without crying," she added.

However, she stopped short of pulling out definitely, pntting off an announcement until a press conference today. The party is set to delay the nominating process to allow time for state prosecutors to decide whether Ms Sahlin should face any charges. If they clear her of any crime, she could survive. So far she has beeo backed by Mr Carlsson, with whom she had a long meeting yesterday, and several other senior party figures.

Her withdrawal would be a sharp blow to the Social Democrats, who are struggling to overcome deep internal splits.

The party leadership had hoped an uncontested succession by the hitherto popular Ms Sahlin, 38, would revitalise the party. If she steps down, the likeliest replacement candidate is Mr Jan Nygren, the low-profile minister for government co-ordination. But other candidates might emerge.

The row surrounding Ms Sahlin blew up last week when newspapers revealed she had repeatedly used government-issued credit cards for private spending, including cash withdrawals, buying clothes and paying for family holiday expenses. She was frequently late in repaying the debts and continued to use a card after promising concerned officials last December she would stop.

Further revelations over the weekend showed private credit card companies and other organisations had called in debt collection services to chase up unpaid tax dues, unpaid parking fines and late credit card dues run up by Ms Sahlin. She has paid all her debts, including interest, but has confessed to being careless with her personal finances.

Opinion polls published at the weekend showed public support had plummeted since the emergence of the credit card affair. Previously her youthful image and reputation for straight talking had made her one of Sweden's best-liked politicians.

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R

Defensive mood as party backs Juppé

By Andrew Jack in Paris

Mr Alain Juppé, the French prime minister, was yesterday elected only the second president in the 20-year history of the Gaullist RPR party, amid an atmosphere that was as much defensive as celebratory.

Mr Juppé, who became interim head after Mr Jacques Chirac resigned at the start of his presidential bid last November, polled 92.6 per cent of the votes cast among members gathered outside Paris for the party's conference, held every three years.

His selection came the day after Mr Lionel Jospin, who won an unexpectedly high score just behind Mr Chirac in the presidential race this spring, was officially endorsed as first secretary of the Socialist party with 94 per cent of the votes.

For Mr Jospin, the vote was an almost inevitable crowning of his achievement in the presidential campaign, altbougb it took several months of internal party feuding to wrest control of the Socialists from the grip of his predecessor, Mr Henri Emmanuelli.

Yet for Mr Juppé, the mood yesterday was more muted, after the first five months of his administration had been scarred by disillusionment at the slow pace of reform, negative reaction from the financial markets about economic change and personal corruption allegations against the prime minister.

For a party created by Mr Chirac in 1976 but linked so intimately to General Charles de Gaulle, it might seem surprising that more than 20,000 party faithful were gathered on a site alongside the EuroDisney leisure park, a symbol of US cultural influence in France.

Yet in some ways it was fitting, given that Mr Chirac himself, while prime minister and as mayor of Paris, fought hard to persuade the company to locate in the region.

The fog hanging over the rally did little to shroud the support of loyalists for Mr Chirac, whose images loomed frequently on to giant television screens showing extracts of the RPR'a history, even though he himself bad decided to stay away.

But in cootrast to the cheers every time the film showed many of the Gaullist politicians, including Mr Philippe Séguin, the leader of the National Assembly, there was a noticeable silence each time that Mr Juppé's picture appeared.

When the time came to announce the result of the uncontested vote, of the 74,981 RPR members who voted, 5,530 left their papers blank in a symbol of disapproval of the prime minister.

Mr Séguin, an architect of President Chirac's campaign and someone widely believed to have opposed giving Mr Juppé tha presidency of the RPR, made a powerful speech defending the government and yet not once mentioning the prime minister by name.

There was little of the jubilation that marked the RPR militants when Mr Chirac was elected in May in an apparent vindication of the party's policies. Instead, Mr Séguin clearly felt the need to launch a counter-attack against the critics.

"Who could honestly ask for results today from the president of the republic?" he said. "Who would be justed in demanding his achievements when he has only just begun his [seven-year] mandate?"

He compared the administration's current challenge to two sacred dates for Gaullists, 1945 and 1958 – post-war reconstruction and the foundation of the Fifth Republic – as he attempted to revive support for the RPR's election themes.

He called, first, for a reduction in public deficits – linked to a fall in the country's crippling interest rates – and, second, for structural reforms to social security, employment costs, education and the state.

For Mr Juppé, who spoke after his victory result was announced in the afternoon, the order was reversed but tha message carefully co-ordinated. France needed above all tn tackle exclusion, and yet equally its budget deficit.

WEST EUROPEAN NEW CAR REGISTRATIONS

January-September 1995

	Volume (Units)	Volume Change(%)	Share (%) Jan-Sep 95	Share (%) Jan-Sep 94
TOTAL MARKET	8,345,800	+0.5	100.0	100.0
MANUFACTURERS:				
Volkswagen group	1,553,885	5.3	16.8	15.8
- Volkswagen	989,288	4.0	10.6	10.2
- Audi	289,264	21.8	3.1	2.6
- Seat	225,148	-6.1	2.4	2.6
- Skoda*	50,188	8.2	0.5	0.5
General Motors***	1,226,834	2.3	13.1	12.8
- Opel/Vauxhall	1,170,569	2.4	12.5	12.3
- Saab**	45,308	14.8	0.5	0.4
Ford group***	1,138,856	1.3	12.2	12.1
- Ford	1,126,854	0.8	12.1	12.0
- Jaguar	12,602	55.4	0.1	0.1
PSA Peugeot Citroen	1,124,856	-5.1	12.0	12.7
- Peugeot	670,796	-5.7	7.2	7.6
- Citroen	454,060	-4.1	4.9	5.1
Fiat group****	1,023,638	3.0	11.0	10.7
- Fiat	802,777	1.4	8.6	8.5
- Lancia	124,508	2.0	1.3	1.3
- Alfa Romeo	94,346	20.9	1.0	0.8
Renault	874,399	-3.8	10.4	10.9
BMW group	574,737	-5.4	6.1	6.5
- BMW	300,945	0.1	3.2	3.2
- Rover	273,792	-10.7	2.8	3.3
Mercedes-Benz	310,842	-7.4	3.3	3.8
Nissan	288,760	-6.4	3.1	3.8
Toyota	238,723	-2.5	2.6	2.8
Volvo	188,681	8.0	1.8	1.7
Honda	142,842	5.4	1.5	1.5
Mazda	135,040	-4.4	1.4	1.5
Mitsubishi	88,718	5.0	1.1	1.0
Total Japanese	1,020,052	-1.4	10.8	11.1
Total Korean	131,615	57.8	1.4	0.9
MARKETS:				
Germany	2,547,300	3.0	27.3	27.4
United Kingdom	1,594,200	0.4	17.0	17.1
France	1,453,200	1.3	15.5	15.4
Italy	1,300,900	-0.8	13.9	14.1
Spain	634,500	-7.2	8.8	7.3

*VW holds 60.3 per cent of Skoda. **Includes cars imported from US and sold in western Europe. ***GM holds 50 per cent and management control of Saab Automobile. ****Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
Source: ACEA (EUROPEAN Automobile Manufacturers Association) estimates.
Figures are rounded.

European car sales tumble

By Haig Simonian, Motor Industry Correspondent

Car sales in western Europe fell sharply last month, further damping manufacturers' hopes for a significant upturn in demand this year.

Sales in the 17 markets tracked by the European Automobile Manufacturers' Association fell by 3.7 per cent year-on-year last month to 853,000, according to provisional figures. In the first nine months, sales rose just 0.5 per cent above the same period in 1994.

However, the poor September figures masked some astonishing improvements. Sales by Jaguar, Ford's luxury car subsidiary, more than doubled to 1,178, while Fiat's Alfa Romeo subsidiary saw a 46 per cent surge to 8,800 units.

The most apectacular increase, though, was achieved by Korean marques, which boosted sales year-on-year by 104.9 per cent to 16,079 vehicles. The surge in Korean sales, combined with the difficulty of penetrating the Korean domestic market, has led to repeated calls for action by European manufacturers to level the playing field.

The steepest falls in car sales during September were registered in France and Spain, where the expiry of government-sponsored incentive schemes to stimulate car buying was reflected in the market. French registrations dropped by 15 per cent year-on-year, contributing to the speedy reintroduction of a new incentive scheme to encourage motorists to trade in cars more than eight years old. Sales in Spain fell by an even sharper 22 per cent year-on-year.

Germany, Europe's biggest car market, was alone among the top five car-buying countries to show an increase in sales. Registrations rose by 4.9 per cent to 268,000 units. This provided a boost to Volkswagen in its home market, where group sales rose by more than 17 per cent, taking its European market share to 17.9 per cent. An 18 per cent market share is tbe level which some manufacturers have privately said could trigger defensive mergers among VW's competitors.

Across western Europe, VW sales rose by almost 25 per cent year-on-year, boosted by strong demand for the compact Polo hatchback. Audi sales, which have been soaring this year, increased by 19.4 per cent.

By contrast, Europe's other big carmakers all reported lower sales. Ford suffered one of the heaviest drops, with an 11.5 per cent decrease month-on-month caused partly by a model changeover to the new Fiesta compact hatchback.

Even Fiat, which has enjoyed an impressive recovery in sales this year on the back of attractive new models, reported a setback in September, with a 5.3 per cent fall in registrations year-on-year to 95,000 units.

Nato chief faces loss of immunity from corruption charges

I may have to quit, says Claes

By Emma Tucker in Brussels

Mr Willy Claes acknowledged at the weekend that he might have to resign post as secretary general of Nato because of corruption allegations, relating to his time as a Belgian minister.

On Saturday, a special Belgian all-party parliamentary panel voted to strip him of his parliamentary immunity so he could answer in court allegations of corruption, fraud and forgery connected to a bribery scandal involving the Italian helicopter maker, Agusta.

The 6-5 decision came after the panel had studied a recommendation from the country's highest court that Mr Claes be indicted. His fate will be decided on Thursday, wben the lower house of parliament has to endorse the panel's advice. Parliament usually follows the decision of the panel, but on such a close vote there is a chance it will decide in favour of allowing Mr Claes to keep his immunity.

A negative vote for Mr Claes would allow the Cour de Cassation – the only Belgian court that can try ministers and ex-ministers – to continue its investigations into the scandal.

The cbarges relate to a period in the late 1980s wben a BFrs1m ($1.7m) bribe was allegedly paid by Agusta, the Italian defence manufacturer, to the Flemish Socialist party in return for the Belgian army's purchase of 46 helicopters, a contract worth BFr8bn.

Mr Claes, a member of the party, was Belgium's economics minister at the time. He left Belgian politics to take over as head of Nato last autumn.

After first denying that he had ever heard of any bribe money being paid by Agusta, he later admitted that he had been told of a possible "gift" to his party. At the time of the contract in the late 1980s, companies in Belgium could make financial contributions to parties deductible against tax.

The parliamentary panel also decided that the investigation sbould continue into the case of the former defence minister, Mr Guy Coeme, alleged to have known about the payments.

If Mr Claes does decide to step down, his Italian depnty, Mr Sergio Silvio Balanzino, will take over on an interim basis.

Among names circulating as a possible permanent successor are the Danish opposition leader and ex-foreign minister, Mr Uffe Ellemann-Jensen; former Dutch prime minister Mr Ruud Lubbers; the outgoing Portugese prime minister, Mr Anibal Cavaco Silva; and Mr Hans van den Broek, the EU's Dutch commissioner.

Kevin Brown, Chief Political Correspondent, adds from London: Mr Douglas Hurd, the former UK foreign secretary, is believed to have ruled himself out as a candidate. Mr Hurd, who resigned from tha UK government in July, has begun work on a novel, and is said by friends to be "very happy" as a non-executive director of National Westminster Bank.

. He is thought to be unwilling to move to Brussels, and confident that he was right to resist pressure from European Union governmeots to take the job last year. "I would be amazed if he changed his mind," a close friend said.

Willy Claes: parliament to vote on Thursday

EUROPEAN PRESS REVIEW

'Black Friday' pervades Vienna

AUSTRIA

By Eric Frey

Austria must make deep public spending cuts and raise taxes if it wants to rein in a soaring deficit and be a contender for early membership of European mooetary union, a senior economic expert said yesterday, Reuter reports from Austria. Mr Helmnt Kramer, director of Austria's respected economic research centre WIFO, said a government elected to power in an early general election being held in December had to cut the deficit by at least Sch60bn ($6bn).

"It's high time for fundamental reform. We have to trim the public sector and social service spending and possibly introduce some university fees," Mr Kramer told Austrian state television. But he cautioned that expenditure cuts were not the only answer, and said higher taxes were unavoidable. No matter who won Austria's next general election, they would have to increase taxes, he said.

Pessimism pervaded the press in Austria over the weekend after what the conservative daily *Die Presse* labelled "black Friday", when parliament decided to call new elections following the collapse of the governing coalition between Social Democrats and the conservative People's party (OeVP).

With no clear alternative government visible on the horizon, worries centred on the possibilities for an extended period of political instability. Die Presse summed up the confusion: "The first year of EU membership ended in a fiasco, because time was wasted with intra-party and political quarrels. Austrians cannot comprehend why they should vote again only a year after the last elections."

A majority of voters do not want new elections, surveys show, and many economists fear a delay in establishing the 1996 budget will exacerbate Austria's fiscal woes.

However, the press is divided on who is to blame for the government breakdown. Most commentators share the view of Mr Wolfgang Schüssel – the OevP chairman who ruled out higher taxes and demanded sharp cuts in social spending – in blaming Chancellor Mr Franz Vranitzky, a Social Democrat, for failing to counter the demands of the trade unions and other special interest groups.

But they also suggest that Mr Schüssel did not try to reach a budget deal and was going for new elections.

"The heart of a coalition is the will to compromise. If one partner loses that, everything breaks down," *Der Standard*, a centre-left daily, said in its lead editorial.

However its columnist Mr Peter Michael Lingens stated that "the SPOe is more to blame" because it opposed genuine austerity measures. "One should at least consider that Wolfgang Schüssel acted out of a feeling of responsibility, because he considered the SPOe budget plans to be irresponsible."

Even those commentators who exhibit respect for what they see as Mr Schüssel's courage in risking new elections worry about a possible impasse after the poll. The most stable outcome would be a return of the previous left-right coalition, they say. But such a prospect would make elections superfluous. If the grand coalition cannot be revived, the only option might be a coalition between the People's party and Mr Joerg Haider's populist Freedom party.

But a government role for Mr Haider could undermine democracy and damage Austria's international reputation, some commentators fear. "The country must be governed – but by whom?" asked the daily *Salzburger Nachrichten*.

Other papers predict that Mr Schüssel will be able to lure some of the voters back that moved to Mr Haider at the last election because of discontent with the coalition government. "Is Wolfgang Schüssel the real anti-Haider?" asked *Kurier*, a centre-right tabloid paper.

The weekly *Profil* thinks that Mr Schüssel was betting on new elections now so he would not have to face an even stronger Freedom party at a later date. His gamble might pay off, *Profil* says, but he may find himself without an acceptable partner after the polls.

If the OevP forms a coalition with the Freedom party, "the country would find itself in a similar situation as 80 years ago [when the German and Austrian empire decided to go to war]: the end of an era and the start of a new and extremely questionable political system."

CDU is riding high but fearful of a fall

By Peter Norman in Bonn

When Chancellor Helmut Kohl's Christian Democratic Union starts its annual conference today in Karlsruhe, it will have one overriding worry: that pride may come before a fall.

Twelve months after winning the German general election with a slender 10-seat majority, Mr Kohl and his party are riding high. A weekend opinion poll put support for the CDU and its Bavarian sister party, the Christian Social Union, at 45 per cent. If an election were held now, that would be enough to give the CDU/CSU an absolute majority in the lower house of parliament, something that has seemed out of the question for 10 years.

Mr Kohl's own popularity has soared against that of Mr Rudolf Scharping, leader of the crisis-racked opposition Social Democrats. Nearly two thirds of voters want the CDU leader as chancellor against just 22 per cent for the embattled Mr Scharping.

When Mr Kohl presents his vision of Germany's future in the 21st century to the 1,000 delegates today, he is sure of an enthusiastic reception. But, behind the scenes, some members worry that the identification of the CDU with Mr Kohl could spell tronble for tha future. The nightmare scenario is of the party post-Kohl tearing itself apart just as the SPD has done this summer.

For Mr Kohl's CDU is not without its weaknesses. It is slow to make decisions, both internally and in partnership with the other members of the centre-right coalition in Bonn. Although CDU discipline in parliament has been remarkably steady over the past year, the coalition has been showing signs of strain. Probably because of the enfeebled SPD opposition, the coalition partners have allowed themselves to fall out over issues such as controlling healthcare costs and tax policies to protect the environment.

"I would award a 'very good' for political management, but only 'barely adequate' for pushing through the conceptual component of our policies," Mr Klaus Escher, head of the party's ynnth wing, told the newspaper Die Zeit last week. For Mr Peter Müller, leader of the CDU group in the Saar parliament, the danger lies in a "couch potato syndrome in which CDU members sit back complacently and watcb the successful Helmut Kohl one-man show".

Mr Müller's fear is that the woes of the SPD are cloaking problems in his own party. Writing in the weekly Die Woche, he pointed out that last year's narrow victory in the polls had obscured the fact that the CDU/CSU had achieved its worst general election result since 1949. Membership was sinking, dropping to around 680,000 from 750,000 five years ago. The party had a poor age profile, with only 5 per cent of members below the age of 30 and more than 35 per cent over 60. Also, women only accounted for a quarter of the membership.

The first two days of the three-day congress will cover European policy and Germany's future and are certain to give resounding backing to greater integration of the European Union.

On Wednesday, the party will consider some of its own problems. Delegates will be asked to vote on proposals to increase democracy in the party through carefully managed referendums, and to boost the influence of women, ensuring that they have at least a third of party offices.

INTERNATIONAL NEWS DIGEST

Fighting flares in Chechnya

Fighting in the breakaway Chechen republic at the weekend threatened fragile peace negotiations and ignited fears of a return to open hostilities. Chechen officials accused Russian aircraft of bombing two mountain villages on Saturday, killing 17 people and injuring 23 others. Russian forces countered with the charge that Chechen fighters had opened fire on Russian positions 100 times over the weekend, killing three soldiers.

Despite the deteriorating situation on the ground, Russian leaders are eager to prevent the outbreak of open war in the run-up to December parliamentary elections. "Everything will be done to resolve the conflict in Chechnya by peaceful means," Mr Victor Chernomyrdin, the Russian prime minister, said. "You will not push us towards war with provocations." The flare-ups are one of the most serious disruptions of an uneasy ceasefire in place since June. The negotiators have been unable to smooth over the fundamental political dispute between Chechens and Russians which led to the outbreak of war in the first place: Chechen fighters insist their republic must be independent, while Moscow is adamant that it should remain part of the federation. *Chrystia Freeland, Moscow*

Macedonia trade embargo lifted

Greece dropped a crippling 19-month trade embargo on the neighbouring former Yugoslav republic of Macedonia over the weekend. A government statement said henceforth Greece would "refrain from any limitation on the movement of goods to or from FYROM" – initials standing for the Former Yugoslav Republic of Macedonia.

Athens had protested that the name Macedonia, its national symbols and constitution were clear statements of territorial ambitions against Greece's northern province of Macedonia, home of some 2m Greeks.

Greece lifted the embargo after Skopje gave up the Vergina Star, symbol of the 4th century BC Macedonian dynasty of conqueror Alexander the Great, who spread Greek culture as far as India. Talks are due this week to work out what to call new representative offices in the two capitals. *Reuter, Athens*

Danish protest over cuts plan

Professor Ole Espersen, a former Danish minister of justice who is now chairman of the International Rehabilitation Council for Torture Victims, has complained that "irreparable damage" will be caused if the EU's Council of Ministers carries out planned cuts in support for the rehabilitation council.

He said the ministers had overridden a European Commission recommendation to increase allocations to the rehabilitation council next year. The allocation would be cut from Ecu5m (£4.12m) to Ecu2m. The ministers also propose to suspend an Ecu5.5m allocation to support humanitarian initiatives on human rights, Prof Espersen said. Denmark was the first country, in 1982, to open a rehabilitation centre for torture victims. *Hilary Barnes, Copenhagen*

Hostages freed in Moscow

Russian commandos yesterday killed an unidentified gunman and released South Korean tourists held hostage in Red Square. The incident began on Saturday afternoon when a masked man armed with a pistol boarded a tour bus parked near St Basil's Cathedral on Red Square. After firing a warning shot he said he would release the 27 South Korean tourists and their Russian driver if he received a ransom of $10m (£6.4m).

By paying the hijacker $1m in two installments, Russian negotiators secured the release of most of the hostages. When only four hostages were left in the bus, commandos stormed the vehicle releasing the remaining captives and killing the hijacker. The hijacking is likely to raise concern over the breakdown of law and order in Russia as the attack was close to the Kremlin. It could also hurt Russia's tourist trade, which has already been damaged by the country's growing reputation for lawlessness. *Chrystia Freeland*

Algeria announces candidates

Algeria's constitutional council announced at the weekend that only four out of nearly 40 candidates had qualified to run as president in elections on November 16.

The four are current president Liamine Zeroual, who is expected to carry the election, Mr Mahfoud Nahnah, leader of the moderate Islamist party Hamas, Berber leader Said Saadi, who leads an anti-Islamist party, and Mr Noureddine Boukrouh, an Islamist leaning intellectual.

The only surprise in the announcement was the absence of Mr Rheda Malek, former prime minister and virulent anti-Islamist. Mr Malek has backing within the Algerian military establishment but no popular base. Algerian officials and local newspapers reported in recent weeks that he had qualified for the election. *Roula Khalaf, Tunis*

Cuba tops conference agenda

Cuban head of state Fidel Castro arrived in Argentina yesterday for the start of the fifth annual Ibero-American conference at which Latin leaders are likely to condemn the US economic embargo on Havana.

The conference, to be attended by 18 Latin American leaders plus those of Spain and Portugal, is expected to be dominated by the Cuban issue following an apparent shift in the position of Argentina, which has consistently supported US sanctions.

This weekend, Mr Guido Di Tella, Argentina's foreign minister, changed tack, saying the embargo had "been pointless for some time" given Cuba's tentative moves towards a market economy. Buenos Aires would support a resolution urging the US to relax or end the embargo, he said, reversing its former outspoken opposition to such declarations. Argentina, in changing its hard line, appears to be taking its cue from Pope John Paul II who last week came out against US sanctions. *David Pilling, Buenos Aires*

Defection stuns Mexico

Mexico's Institutional Revolutionary Party (PRI) spent the weekend adjusting to news of one of the highest level defections in its history.

Mr Manuel Camacho, a former mayor of Mexico City and once favoured to win the PRI's nomination for the 1994 Presidential elections, announced his resignation from the party on Friday because of what he saw as government foot-dragging on democratic reform.

"I am in favour of a real political change leading towards an advanced democracy," said Mr Camacho.

The last such high level defections from the party, in 1987, led to the creation of s new political force which strongly contested the presidential elections the following year. *Daniel Dombey, Mexico City*

Faction violence in Liberia

Faction leader Charles Taylor said yesterday his base in central Liberia had again come under attack from a rival militia in violation of a ceasefire accord. "We reported this last week and there were denials here and there. Now it has happened again," Mr Taylor told reporters travelling with him from a visit to neighbouring Ivory Coast.

He said news of fresh clashes came from commanders in his regional base in the central town of Gbarnga. They said fighting broke out when the small town of Suakoko, just south of Gbarnga, was attacked by the Ulimo militia of Mr Alhaji Kromah. Battles were continuing further down the highway to Kakata.

Ulimo and Mr Taylor's National Patriotic Front of Liberia (NPFL) are among Liberia's main factions that signed an accord in Nigeria in August to end more than five years of civil war. Mr Taylor accused Ulimo last week of attacking NPFL positions in Gbarnga in breach of the ceasefire. Ulimo denied the charge, blaming violence in Gbarnga on Mr Taylor's unhappiness with power sharing under the accord. *Reuter, Monrovia*

Judge orders Berlusconi to stand trial

By Andrew Hill in Milan

A Milan judge has dealt what could he a decisive blow to Mr Silvio Berlusconi's political ambitions by ordering the former Italian prime minister, his brother Paolo, and nine others to stand trial on corruption charges next January.

Mr Berlusconi, who denies involvement in the alleged bribery of tax officials by his private Fininvest group, said the decision came as no surprise. He said the move was just one more episode in a campaign of "mud-slinging" by his opponeots on the left.

He added that tbe order, issued on Saturday, merely reinforced his determination to run for the premiership in the next general election, which sbould be beld next year.

But Mr Berlusconi's political allies yesterday stepped up their debate about whether the media magnate was still the man to lead Italy's centre-right parties to an election victory.

Mr Gianfranco Fini, leader of the right-wing National Alliance and a potential alternative candidate as premier, telephoned him to reassure him that "we are closer than ever before". But other allies of Mr Berlusconi's Forza Italia party said tbe leadersbip question would have to he discussed.

Political commentators at both ends of the spectrum agreed yesterday that Mr Berlusconi's ambition to regain the premiership he lost in December, after just seven months in power, would be badly damaged by a 1996 trial. Mr Vittorio Feltri, editor of Il Giornale, tbe Milan daily owned by Paolo Berlusconi, said he believed Mr Berlusconi would eventnally prove his innocence, "hut hy then it will be too late".

Politicians on the left said the judicial decision changed nothing and they would not exploit the decision for political gain.

As well as Mr Berlusconi and his hrother, four other Fininvest associates and five officers in the Italian tax police will face trial on January 17. Prosecutors allege that managers of Fininvest and its subsidiaries paid tax police a total of L380m ($235,000) in bribes, to avoid rigorous tax audits of the business.

Mr Berlusconi has always claimed that he knew nothing of such payments and that tax officials extorted the money from his brother and other Fininvest managers.

But the judge, Mr Fabio Paparella, justifying his decision to order a trial, said: "Given that Paolo and Silvio are brothers, that Silvio Berlusconi is the owner of Fininvest, and that the episodes of corruption took place over several years, it seems strange that Silvio Berlusconi knew nothing about them."

Mr Berlusconi's lawyers left the courtroom in protest at the decision. In a statement, they accused Mr Paparella of "assuming the ex-premier was guilty because he has not been able to eliminate doubts raised by the inquiry".

They added: "The truth is that even the basic suppositions [of guilt] did not bold np to scrutiny in [preliminary] hearings."

Russia promises to fund work on Cuban reactor

Agreement is expected to sour relations further between Moscow and Washington

By Chrystia Freeland in Moscow and agencies

Russian leaders have promised to give Havana the money and technology to finish building a Soviet-era nnclear reactor in Cuba, officials said at tbe weekend.

If Moscow goes through with the project it is likely further to sour US-Russian relations, which have already been hurt hy Russia's decision to sell nuclear reactors to Iran and disputes over Nato's role in Europe and the Balkans.

Russian officals, visiting Cuba as part of a delegation led by Mr Oleg Soskovets, a hardline deputy prime minister, pledged to contribute $349m (£226m) towards rehnildiug the reactor, witb Cuba providing $208m, according to the Cuban press.

Russian news agencies said the two countries planned to raise an extra $200m from a consortium including Siemens and Latin American and western companies. Russian nnclear euergy authorities said the reactor was expected to come on line within four years.

When the completion of the Cubau reactor was first broached several months ago it provoked fierce protest in the US, particularly from Florida politicians, wbo are unbappy at the prospect of a Soviet-designed uuclear reactor operating 90 miles from their sbores, and wbose Cuban-American constituency strongly opposes the communist regime in Havana.

"Tbe reactor iu Cuba conld become tbe biggest issne in US-Rnssian relations," one Repnhlicau congressional aide said.

The deal comes at a time when anti-Russiau sentiment among US Repnhlicans is already running high. Repnblicans bave called for bans on all US assistance to Russia nnless it scraps its sale of uuclear reactors to Iran, an arrangement with less emotional impact on many US voters than any Cuban reactor deal with Rnssia.

Construction of the *Cuban* reactor begau iu 1976 bnt ground to a halt after the collapse of the Soviet Union in 1991, when Moscow sbarply cut financial aid to its former communist satellite states and sought a political rapprochement with the west.

However, over the past few months, Russia has been seeking to restore relations with many of its former allies. The Cuban reactor deal is part of a broader range of agreements with the Carihhean natiou, including s renewal of the traditional *sugar-for-oil* barter arrangement between Moscow and Havana.

The Cuban reactor is a VVR water-cooled design, which many experts believe to be safer than the RBMK graphite-cooled type of reactor whose melt-down resulted in the Cbernobyl nnclear accident. However, many western analysts continne to have doubts about the safety of all Soviet-era nuclear power stations.

Russian officials estimated the power station could supply 15 per cent of Cuba's energy ueeds, and Cuban authorities said they boped to use revennes from the sale of electricity to offset construction costs.

NEWS: WORLD TRADE

Brown's Beijing trip calls for deft footwork

By Tony Walker in Beijing and Nancy Dunne in Washington

Ron Brown: advancing interests of US companies

Mr Ron Brown, the US commerce secretary, arrives today in Beijing, on an unusually comprehensive and delicate mission for an official whose main concern is commercial ties.

As the first cabinet-level officer to come to China since Sino-US relations chilled following the visit to the US in June of President Lee Teng-hui of Taiwan, Mr Brown will need to engage in some nimble diplomacy to deal with continuing Chinese irritation.

He will also be preparing the way for a summit meeting later this month between presidents Bill Clinton and Jiang Zemin amid lingering disappointment in Beijing over US unwillingness to grant the Chinese leader a state visit to Washington.

But the commerce secretary will no doubt be hoping that his visit's main thrust will be to place the commercial relationship, buffeted by the argument over Taiwan, firmly back on track.

Among his priorities will be to advance the interests of larger US corporations, such as those in the power sector, who have seen projects worth up to $1bn (£635m) mired in China's bureaucracy.

When he visited China in September 1994 as flag-waving head of a higher-powered business delegation, Mr Brown trumpeted $6bn in contracts for items ranging from the sale of Boeing passenger jets to power station agreements. Few of the more than one dozen contracts initialled during that visit have come to fruition.

The US official, in his talks with Chinese officials including Ms Wu Yi, tha trade minister, will also address such sensitive issues as the growing trade imbalance, and continued rampant counterfeiting of US information and entertainment products.

China's huge trade surplus with the US – set to hit $38bn this year compared with $30bn in 1994 – threatens to become an increasingly bothersome political issue for the administration. It was flagged by Mr Lee Sands, assistant US trade representative for China and Japan, on a visit to Hong Kong last week.

"Our trade deficit with Japan has been decreasing month by month, year by year, while our trade deficit with China accelerates. Right now, it is growing at a 25-30 per cent clip," Mr Sands said. US exports to China last year, on the other hand, rose by only 6 per cent.

In light of the ballooning deficit, which may reach $50bn in 1996 on present trends, Mr Brown is also likely to demand a more determined implementation of a bilateral agreement reached in March this year to combat widespread intellectual property rights violations.

Representatives of the Washington-based International Intellectual Property Alliance said in Beijing last week that rather than improving, counterfeiting had, if anything, worsened in the past six months, with illicit production of compact discs from factories in southern and central China expected to hit a record 45m this year.

Other nagging issues include lack of improvement in China's human rights record, suspicions that it is continuing to circumvent US textile quotas by false invoicing, and concerns that its arms sales to such countries as Iran undermine attempts to control weapons proliferation.

With a US presidential election pending next year, Mr Brown will also be mindful of critical congressional scrutiny of any administration dealings with Beijing. But the smooth-talking Mr Brown would seem to be well equipped to help restore an equilibrium to Sino-US relatinns. He is the administration's foremnst spokesman for "commercial diplomacy", which puts economic policy at the apex of relationships with emerging economies.

Last year, partly at his urging, the administration delinked trade and human rights to enable renewal of China's Most Favoured Nation (MFN) trading status in the US on the grounds that a healthy economic relationship would produce gains in other areas.

While commercial diplomacy bolsters Sino-US ties, or at the least prevents them getting worse, benefits are not always apparent. However, Mr Brown remains "bullish" on China, a country "going though massive transformatioo".

"Every business transaction that is involved will not always go as smoothly as we might like, but the fact is that we're focusing on our long-term commercial relationship," . Mr Brown said.

Move to close inland wealth gap

By Tony Walker in Beijing

China has pledged to open more cities in its backward hinterland to foreign investors in an effort to narrow a widening wealth gap between its prosperous coastal areas and poorer inland regions.

However, an official responsible for China's six special economic zones and several dozen economic and technological development zones made it clear that the state was reluctant to create additional special enclaves for investment.

Mr Hn Ping, director of State Council's Office for Special Economic Zones, indicated he favoured attaching the "open city" label to more inland centres in an effort to attract investors.

The tax rate for overseas-invested enterprises in "open cities" stands at 24 per cent compared with 33 per cent in non-open cities. In development zones under state control, taxes on foreign-funded enterprises are 15 per cent.

Beijing has come under increasing pressure from inland provinces to encourage greater foreign investment in deprived areas.

Critics of preferential policies for economic zones such as the Shenzen special economic zone on the border with Hong Kong say these magnets for foreign investment have reinforced a widening gap between coastal and inland areas.

Figures published at the weekend in the official China Daily underline this trend. For every Yn100 ($12) injected into fixed assets on the coast, Yn18 is foreign investment, but in the interior the average is only Yn2 for every Yn100.

Some 359 cities are classified as "open", but the official China Daily noted that of these only about 40 are in inland areas.

Mr Hn noted there were 18 applications from inland provinces to establish state-level economic and technological development zones to join the 32 already in existence.

China to step up investment in car parts industry

By Sophie Roell in Beijing

China plans to invest Yn55bn ($6.6bn) in its vehicle parts industry over the next five years to promote domestic industrial development and to reduce reliance on imports.

Mr Zhang Xiaoyu, director of the department of automotive industry in the Ministry of Machinery Industry, said foreign investors wonld be encouraged to participate in the further development of the components sector. The government wanted more than 60 per cent of car parts and 80 per cent of parts for light trucks to be made locally by the end of 1997.

By 2000 China was also aiming to increase export volumes and have a network of between five and 10 internationally competitive parts manufacturers.

Between 1991 and 1995, the government allocated only Yn7.63bn to parts manufacture, reserving the bulk of investment for car assembly plants.

Beijing has pot increasing emphasis on the development of parts manufacture in an attempt to remedy the imbalance, and has frozen new car assembly projects until 1997. By 2010, China aims to have car manufacturing as one of the economy's "pillar industries".

The ministry will also encourage economies of scale by facilitating mergers of parts manufacturers and seeking greater foreign involvement. At present there are 622 parts manufacturers in China with fixed assets of less than Yn5m, and only 126 witb assets of more than Yn50m.

The ministry also released a list of 300 companies making key components which will be eligible for policy loans and preferential policies. Foreign participation in the manufacture of these key components will be encouraged.

Mr Zhang warned that measures would be taken to restrict imports of out-of-date technology and equipment.

WORLD TRADE NEWS DIGEST

Exports surge in California

Californian exports surged 19 per cent to almost $46bn in the first half of the year, despite the continuing downturn in Japan and the economic crisis in neighbouring Mexico, according to the state trade and commerce agency.

In a report the agency said second-half exports to Japan, led by high-technology products, grew by "a modest" 14 per cent. Other Asian markets grew more strongly overall, while the European recovery showed through in sharp rises in exports to Britain, Germany and the Netherlands.

Although the crisis has stifled sales in Mexico, the decline of 4.2 per cent to $3.5bn in Californian exports was a better result than the 12 per cent slump recorded by the US overall in the review period. Again, higher shipments of electronic and electrical equipment – up 13 per cent – moderated the impact of Mexico's troubles on Californian trade.

This sector, including computers and industrial equipment, accounted for 52 per cent of all the state's exports in the review period, followed by transportation (11 per cent); instruments (7 per cent); and food and drink (5 per cent).

Tha fastest growing market was South Korea, which imported $3.9bn of Californian goods in the first half – equivalent to a 63 per cent increase. Other improving Asian markets included *Hong Kong* (up 25 per cent); *Singapore* (up 16 per cent); and Taiwan (up 17 per cent).

Britain, the state's biggest customer in Europe, increased its imports 20 per cent to $2.24bn, while sales to the Netherlands surged 40 per cent to $1.7bn and Germany increased its purchases by 22 per cent to $2bn. Even France recorded a 9 per cent rise to $1.24bn. *Christopher Parkes, Los Angeles*

Egypt satellite deal signed

A French consortium led by Matra Marconi Space yesterday signed a $158m contract with the Egyptian government to build and launch Egypt'a first satellite system. The system, to be called Nilesat, includes one 72-channel TV broadcast satellite and two ground stations in Egypt. The system will be operated by a new private Egyptian company in which the government will take a 51 per cent stake and the rest of the equity will be provided by banks and local investors.

The French rocket Ariane is expected to launch the satellite early in 1997. Egyptian officials say the satellite will be used to transmit Egyptian television throughout the Arab world. Spare channels will be available for lease, putting Nilesat in competition with Arabsat, owned by a consortium of Arab governments. *James Whittington and Shahira Idriss*

Contracts and ventures

■ Walsh Automation, a Montreal engineering group, will lead an international consortium building a C$2m ($1.5m) transmission line from Siberia through Mongolia to northern China. Other members are Asea Brown Boveri (Canada), the Canadian utility Manitoba Hydro, Manitoba HVDC Research Centre, a private simulation specialist, and probably Russian and Chinese investors. The consortium will operate the system for 20 years and sell the power. *Robert Gibbens, Montreal*

■ Ford of the US and Mazda of Japan plan jointly to set up a Bt13.5bn ($537.5m) pickup truck assembly plant in Thailand. Ford and Mazda would each hold 45 per cent in the venture while the remaining 10 per cent would be investment from an unidentified Thai company. The plant, to be located in eastern Rayong, is expected to start assembling the pickups in two years. *Reuter, Bangkok*

هكذا من الأصل

Pakistani officers held amid fears of Islamic coup plot

By Farhan Bokhari in London and agencies

Days of speculation about the arrest of a number of Pakistani army officers suspected of planning a coup ended at the weekend when Ms Benazir Bhutto, the prime minister, confirmed there had been arrests but would not give details.

She also refused to say anything about newspaper reports that they were suspected of planning an Islamic revolution.

Ms Bhutto told newspaper editors in Islamabad, the capital: "Some individuals [army officers] are under investigation, but it is premature to say anything." She added that when those investigations were complete, "details will be known and the nation will be taken into confidence".

The daily newspaper, The Nation, said Major General Zaheer ul Islam Abbasi, who was director general of infantry at the Army's general headquarters in Rawalpindi, was arrested along with a brigadier general, a colonel and three dozeo army officers on September 26.

The newspaper also said: "The officers have been accused of supporting fundamentalists and making efforts for bringing about Islamic revolution."

An army spokesman refused to comment.

The confirmation of the arrests once again raised apprehensions about the role of the military in Pakistani politics. The country has been ruled by military dictators for half of its 48 years. The army generals are still regarded as an important factor in decision-making, especially policy matters closely linked to security issues.

Both Ms Bhutto and her father, the late prime minister Mr Zulfikar Ali Bhutto, have been victims of the military's involvement in politics. Ms Bhutto's previous term as prime minister ended abruptly in 1990 after only 20 months in power after she fell out with the army over attempts to put the military under the civilian government's control.

Her father was overthrown in a coup in 1977 led by the late General Zia-ul-Haq, and hanged two years later.

Senior officers say times have changed. Both Gen Abdul Waheed, the present chief of army staff, and Gen Asif Nawaz Janjua, the former army chief who died in 1993, are given credit for moving the army away from involvement in politics.

The officers also play down the significance of the latest arrests. The most powerful officers in the army – those of the rank of lieutenant general, who serve as corps commanders – still appear to be firmly in favour of civilian rule, they add.

Evans finds 'wiggle-room'

Australia's foreign minister defends his record against critics

These are difficult times for Mr Gareth Evans, Australia's foreign minister and one of the leading architects of its push for closer relations with East Asia.

At home, there has been speculation about his career plans and abroad, trade liberalisation efforts by the Asia-Pacific Economic Co-operation forum risk unravelling as members argue about farm reform.

Last week, the Australian Financial Review described him as a minister who had reached his sell-by date – a "prisoner of his own orthodoxy" who had failed to rise to the challenges posed by the emerging Asian economies and the impact on the region of the US drift into isolationism". Mr Evans is predictably robust in rebutting such an assault. The Apec process will not founder, he said in an interview. Regional co-operation in the Pacific, which also engages the US, is the only way forward, not only for Australia.

"It would be silly", he said, "for Australia to pretend that it is an Asian country when it is manifestly not, but it must also position itself to be an active part of the region, which means something more than merely being "engaged". His response to critics is that a great deal has changed in underlying attitudes throughout Asia, which vindicates Australia's approach.

For example, forthright support for free trade and evidence of a growing desire for regional security collaboration mean the time has come for letting the process evolve, rather than for Australia to throw its weight about, he said.

On Apec, for example, he argued that much had been achieved at the more humdrum level of trade and investment facilitation and that the main goal of free trade in the region would not collapse over an argument about agriculture, which Japan, Korea, China and Taiwan want to exclude. It may go right down to the wire but there was "wiggle-room" on the time frame when Asian leaders met for the Osaka summit next month, he said.

Having espoused the APEC ideal so vehemently – Mr Evans chaired the group's inaugural ministerial meeting in 1989 – he cannot afford idla threats of withdrawal. in the economic sphere, Apec remains the cornerstone of Australia's regional policy and an antidote to US bilateralism.

But it has always been clear that Apec could not be a formal negotiation in the Uruguay Round sense. Somehow a compromise has had to be found between that approach and the loose consensus with minimal pressure, as preferred in Southeast Asia. This tug between between Asian and western values permeates other aspects of Australia's regional policy – most notably in human rights.

Domestic critics accuse Mr Evans of being craven towards countries like Indonesia when, as happened last week, Australia refused asylum to 1,300 East Timorese refugees. Australia wants to do business with Indonesia and needs President Suharto's continuing support on Apec. It cannot feel comfortable that Australian human rights protests have prevented

Evans: robust rebuttal

Indonesia appointing a new ambassador to Canberra.

One area where he believed Asia was making strides was in security, where the approach at regional level is analogous to that on trade. The last meeting in July of the Asean Regional Forum (ARF) – which groups Southeast Asian nations with other countries including the US, China and Russia as well as Australia – helped defuse China's claim to sovereignty over the Spratly islands in the South China Sea. "It gave a context in which the Chinese could gracefully step back a step or two and a context in which the Asians could unite to make a case and then gracefully step back," he said. Moreover, other ministers said public opinion in their countries was starting to look to the ARF as a forum for resolving disputes.

"The ARF provides transparency, confidence and trust-building in defence co-operation strategies. "That's absolutely right in principle. I think we're showing signs of coming together very well," he said.

Peter Montagnon and Nikki Tait

Prisoners' death adds to tension in Karachi

MQM leader warns of civil war after four party activists are gunned down while in police custody

Pakistan's leading human rights organisation has expressed concern over the security clampdown in Karachi, the country'a business capital, after four prisoners were killed by gunfire while in police custody last week.

The city came to a halt on Thursday in the 17th strike this year called by the Mohajir Qaumi Movement, the city's most powerful political party. Further protests are expected next week over last week's killings.

The four prisoners, all MQM activists, were taken to one of Karachi'a busy neighbourhoods, allegedly to identify a "safe house" used by some of their fellow activists. There, they were fired upon from a nearby house by unknown gunmen who escaped from the scene, say the city's police.

But the official account has been thrown in donbt, especially as none of the policemen around the victims was hurt. The killings have been condemned by the HRCP (Human Rights Commission of Pakistan), the country'a largest independent human rights monitoring body.

The MQM has described the killings as "extra-judicial" and called for an inquiry.

Mr Aziz Siddiqui, a director of the commission in Lahore, said yesterday: "The state terrorism is adding to the complexity of the problem." More than 1,500 people have been killed in violence in Karachi this year. At least nine more died in the city at the weekend.

The MQM says it is fighting for the rights of its Urdu-speaking *mohajir*, people who migrated from India after independence from Britain in 1947. The movement wants a larger representation for its people in government jobs and in parliament.

Many analysts say the latest killings confirm their worst fears – that police and paramilitary troops are becoming more violent. Some human rights watchers also say the killings may be born out of frustration among law enforcement agencies over a slow, inefficient judicial system.

Ms Asma Jehangir, a human rights lawyer, accused the police of killing the prisoners "in a very barbaric manner". She said it was "an indefensible case".

The Pakistani government has denied the allegations.

The latest developments appear to undermine prospects for a negotiated settlement between the government and the MQM, which have been holding discussions since early summer. There have been no signs of an agreement.

Mr Altaf Hussain, the MQM leader who has lived in exile in London for almost three years, warns that the city is drifting towards anarchy that could trigger a civil war. In an interview, he said: "I warn that if the government is not atopped from pushing the *mohajir* nation to the wall, then a time may come when people will lose their patience and take the law in their hands, and a civil war may arise."

While continuing with its security clampdown, the government has offered to hold municipal elections in Karachi if the movement can bring calm to the city. Most observers believe that the MQM would emerge with an impressive victory at the polls.

Mr N D Khan, minister of law and the government's chief negotiator, said last week: "A political agreemant can be reached in a week if they [MQM] end their terrorism."

Some officials also believe privately that the MQM is under pressure because many of its hardcore activists have been either arrested or killed in the past three to four months.

"They [the MQM] know that they have been cornered," said an official in Karachi. "The security forces will be able to eliminate most of their operational bases within six to eight months."

The MQM denies that it is involved in any of the killings. However, some of its leaders want the security forces to be withdrawn before using their influence in the city to help with the government's efforts at restoring peace.

Farhan Bokhari

CONTRACTS & TENDERS

Poor endangered by fall in fish stocks

By Alison Maitland

World population growth is putting severe pressure on fish stocks and endangering the nutrition of nearly 1bn people in developing countries, an international campaign and research organisation concerned with population issues warns in a report published today.

The report, by Washington-based Population Action International, says an expected fall in availability of fish threatens to deprive many of the world's poorest peoples of their principal source of animal protein.

The global fish catch peaked in 1989 at 89m tonnes and has been around 85m tonnes since. The United Nations Food and Agriculture Organisation forecasts that stocks will be further depleted if more than 60m tonnes are caught for human consumption each year.

"As population pressures on this resource grow, fish prices will continue to climb, further reducing consumption among the poor," says Mr Robert Engelman, director of the group's population and environment programme. "In the next century, many species of fish will become luxuries only the well-to-do can afford."

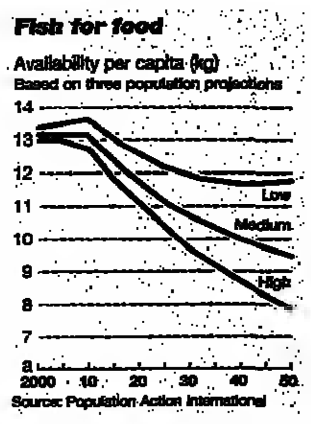
Worldwide, fish accounts for only just over 5 per cent of the average individual's intake of protein, says the report. But 640m people in 39 countries rely on fish to provide more than 10 per cent of their total protein intake. For nearly 1bn people, fish provides more than a third of their animal protein.

The report, published to coincide with the UN's World Food Day, says that it would be "virtually impossible" to increase fish-farming enough to maintain current rates of fish consumption in the face of forecast population growth.

Consumption of fish caught in the wild is expected to fall worldwide by 25-50 per cent by 2050 from 10.2kg per person a year in 1993. But catches, and consumption, in poorer countries are expected to decline more steeply.

"Rising international demand has led developing countries to sell increasing proportions of their catch for foreign exchange," the report says. "Fish catch declines in specific fishing grounds threaten the livelihoods of as many as 200m people who depend on fish as a source of income."

Taking Tanzania as an example, the report says per capita fish consumption could fall by 70 per cent by 2050 unless the country can increase imports or domestic catches. "This would force Tanzanians to replace fish protein with less nutritious plant proteins, or to reduce their overall protein intake."



The report urges governments to address the problem by eliminating subsidies that encourage overcapacity in the world's fishing fleet, controlling development and pollution in coastal areas which threaten fish stocks, and cutting the amount of fish wasted by vessels at sea and during storage and transport on land.

Catching the Limit: Population and the Decline of Fisheries. Available for $5 from Population Action International, 1120 19th Street, NW-Suite 550/Washington, DC 20036.

Israeli soldiers killed in Lebanon

By our Foreign Staff

Hizbollah guerrillas in south Lebanon killed six Israeli soldiers and seriously injured two yesterday after planting a roadside bomb which destroyed the soldiers' armoured personnel carrier. The attack was the bloodiest in the Israeli self-styled security zone all year and came three days after a similar blast killed three Israeli soldiers and injured six.

Mr Yitzhak Rabin, the Israeli prima minister, called an emergency cabinet meeting after the attack. Israeli army officers warned yesterday of serious reprisals, fuelling fears of an increase in fighting on the last front in the Arab-Israeli conflict.

Hizbollah usually responds to Israeli shelling of civilian villages in south Lebanon by bombarding settlements in northern Israel with Katyusha rockets.

The violence in south Lebanon coincides with stalled talks between Syria and Israel.

Mr Shimon Peres, the Israeli foreign minister, said last week Syria should curb the Hizbollah militia. But Syria, which dominates Lebanese politics and has 35,000 troops stationed on Lebanese soil, has said it will not rein in the guerrillas until a peace deal is signed with Israel.

Meanwhile, Palestinians and Israelis made progress yesterday on the Israeli troop redeployment from the West Bank. After a meeting between Mr Peres and Mr Yassir Arafat, chairman of the Palestinian Liberation Organisation, the foreign minister said Israeli troops would begin withdrawing from the West Bank town of Jenin on October 25 and the process of redeployment would be over by the end of the year. Mr Peres also said January 22 was the tentative date for Palestinian elections.

Mr Arafat had charged that Israel was stalling on its agreement signed in Washington last month in its troop withdrawal from six Palestinian towns and failing to release all women prisoners.

At polls, Saddam stands alone

Will referendum voters back Iraq's leader by 99% or 100%?

Iraq yesterday held its "Mother of all Referendums" as millions of voters turned out to renew their loyalty to President Saddam Hussein in a supposedly secret ballot on the presidency.

After a remarkable month of campaigning, about 7m eligible voters were given the opportunity, for the first time in Iraq, to give the 58-year-old president their stamp of approval.

On the ballot papers was a single question: "Do you agree to Saddam Hussein assuming the post of president of the Republic of Iraq?" to which voters were invited to tick Yes or No.

Placards and banners put up throughout the country, apart from the three Kurdish provinces in the north which will not participate in the referendum, leave no illusion as to how the Iraqis are expected to vote. "Life is meaningless without the leader", trumpets one poster in Baghdad.

Diplomats have taken bets on the president's margin of success ranging between 99.0 and 100 per cent. The official Iraqi news agency is predicting no less than 100 per cent.

The referendum comes two months after the defection to Jordan of Lt Gen Hussein Kamel Hassan, who as head of Iraq's weapons procurement programme was privy to many of the country's military secrets. He fled Baghdad on August 8 with his brother and their wives, the president's daughters.

The defections and the general's vow to overthrow his father-in-law created an unfounded sense of anticipation in the west that Mr Saddam's regime would soon collapse. They also prompted a race among Arab leaders to play a role in the demise of Mr Saddam and to influence the configuration of a post-Saddam Iraq.

An Iraqi woman dances in a show of support for Saddam outside Iraq's embassy in Amman, Jordan Reuter

Diplomats in Baghdad say they believe the defections created an initial sense of insecurity within the government, which has spent the past two months consolidating the president's power base by purging all those associated with Gen Hussein Kamel and demanding renewed pledges of loyalty.

The referendum, they sey, is part of this process and an attempt to provide the president with a veil of legitimacy after 16 years in power. It is also aimed at sending a message to the west that Mr Saddam has no intention of stepping down or taking up any offers of political asylum made by Arab leaders. "It's obviously a cosmetic exercise aimed at consolidating Saddam's rule domestically while demonstrating to the west that he will be around for a long time to come," says one diplomat.

None of Mr Saddam's manoeuvrings, however, is likely to lead to a lifting of United Nations sanctions imposed on Iraq following tha invasion of Kuwait in August 1990.

The defections prompted a sudden change in tactics from Baghdad in its dealings with the UN commission charged with monitoring Iraq'a weapons programme. Thousand of documents previously withheld were handed over to the head of the commission, Mr Rolf Ekeus.

However, in a report to the Security Council last week Mr Ekeus said Iraq had still not filled in all the missing gaps in its military capabilities and he doubted whether economic sanctions imposed after the country invaded Kuwait would soon be lifted.

Given the economic hardship suffered by the Iraqi population and US resistance to any lifting of UN sanctions, experts on Iraq have said thet following the referendum Mr Saddam may reconsider his policy of accepting nothing short of a full lifting of sanctions and agree to limited oil sales offered by the UN.

Some senior officials in the Iraqi government are believed to be advocating the acceptance of UN Resolution 986 approved by the Security Council in April and allowing $1bn (£635m) of oil sales every three months in return for full co-operation with Mr Ekeus's commission.

James Whittington and Roula Khalaf

Hopes for Moroccan deal

By Caroline Southey in Brussels and Tom Burns in Madrid

The EU and Morocco are optimistic that agreement can be reached to settle the five-month dispute over Spanish and Portuguese fishing rights in Moroccan waters when talks resume tomorrow.

Ms Emma Bonino, EU commissioner for agriculture, announced on Friday that an agreement in principle had been struck, allowing detailed negotiations, frozen since late August, to resume.

The dispute, which has led to about 570 Spanish fishing boats being confined to port since May, has threatened thousands of jobs in southern Spain and the Canaries. It has also derailed efforts by Rabat and Brussels to negotiate a broader bilateral trade accord.

The agreement is expected to include the principle that a share of the European catch has to be landed in Moroccan ports.

The issue, which had emerged as one of the last stumbling blocks to a deal, is sensitive in Spain, where it is felt it would force the closure of a number of ports, particularly in the Canaries.

Spanish officials yesterday cautioned that details had not yet been agreed over catches allowed to fishermen of southern Spain in Moroccan waters and the proportion of their catch that had to be off-loaded in Moroccan ports. "Percentages mean a lot," Madrid's negotiating team said.

The deal will also allow for the suspension of fishing activities "from time to time for ecological reasons", an EU official said.

The accord is expected to remain in place for four years.

Spain welcomed the non-revisable four year agreement with Morocco, in place of the previous three-year fishing accords, which will allow the Madrid government more time to scale down the 600-strong fishing fleet that has depended almost exclusively on Moroccan waters.

Wilson acts on sex and shopping

By Christopher Parkes in Los Angeles

California, the state leading the US retreat from affirmative action, leapt into the reformist front line at the weekend with a new law advancing the cause of women's shopping rights.

Mr Pete Wilson, state governor, unexpectedly signed a bill, to take effect from January 1, which makes California the first state where it will be a civil offence for any shop, salon or service provider to charge a woman more than a man for comparable services.

The Republican governor, who recently led a successful assault on the University of California'a 30-year-old policy of positive discrimination in student selection, earlier said the law would impose unnecessary burdens on business.

Ms Jackie Speier, who championed the bill for more than two years, waving mannequin heads and blouses at the cross-party opposition to emphasise her complaint against rip-off haircuts and laundry charges, claimed that the average woman would save $1,350 (£870) a year.

Dry-cleaning shops and car repair workshops were other places where women were commonly given a raw deal, she alleged.

The Democrat campaigner held her ground in the face of robust Republican rudeness, ignoring suggestions that if she could not be bothered to shop around she should move to Cuba.

Although the simplest way for retailers to avoid action would be to increase prices for men, as Ms Speier's manifold opponents pointed out, she insisted throughout that her main target was the fundamental unfairness of what she categorised as a "gender-based tax".

The bill, which had barely squeaked through a sceptical state assembly in June, was much watered down from an earlier model which had been vetoed by Mr Wilson.

As the governor pointed out at Friday's signing ceremony, the earlier bill had also applied to products and the new version allowed higher prices for services which needed more time, effort or cost.

Mr Wilson may have been prompted to overcome his earlier hesitation about the new version by a desire to soothe statewide anger over his flat-footed adventure in the presidential election campaign.

He returned recently, broke, bloodied and bowed, to face an electorate sour not only because he broke a specific promise not to attempt to join the race, but also because he left behind an assembly paralysed by inertia and an extraordinary budgetary mess.

In the end it was left to President Bill Clinton's generosity with federal funds to resolve the state medical services' budget crisis.

Rank Xerox moves work from Japan

By Peter Marsh in London

Rank Xerox, the copier company, has switched some work from Japan to Britain because of its British factory's good productivity record and style of flexible working.

The company has moved production of a new generation of desktop copiers for selling to Russia, Africa and the Middle East from three plants in Japan to its factory in Mitcheldean, western England. Xerox of the US owns 80 per cent of Rank Xerox. The remaining 20 per cent is owned by Rank Organisation of the UK. The extra work for Mitcheldean is worth about £10m ($15.7m) a year.

This figure is expected to grow as the market for copiers in Russia, the Middle East and Africa increases. Mitcheldean is already Rank Xerox's main centre for making the company's desktop or "convenience" copiers.

Rank Xerox said production at the UK plant was "far and away" more cost-effective than at its two other European factories in Lille, France, and Venray, the Netherlands. Mr Jerry Lane, director of the Mitcheldean plant, said productivity there had risen by about 40 per cent since 1990. "We have done more with less, building quality into our culture," he said.

In the past four years, the Mitcheldean plant has increased its annual output by 65 per cent in value to about £260m. Production of "convenience" copiers accounts for just under half this figure.

Production ideas from Mitcheldean workers can lead to £200 rewards. All workers share in a scheme which hands out bonuses – expected to total £500,000 this year – for productivity improvements.

Rank Xerox said production had switched to Mitcheldean from Japan partly because of the UK factory's good record in reacting quicking to customers' requirements. Rank Xerox units in Japan are run by its Fuji Xerox joint venture.

A feature of the Mitcheldean factory is Rank Xerox's innovative contract with Manpower, an employment services group, under which it tops up its need for staff through hiring on short-term contracts production operators on Manpower's payroll. About a quarter of Mitcheldean's 2,000 workers are employed in this fashion – which gives the company greater leeway in changing its workforce to fit changes in demand.

Top US trade team starts tour of Ireland

PA News Reporters

A senior US trade official will today start a week-long tour of Ireland. The team led Mr Charles Meissner, assistant commerce secretary for international economic policy, plans to visit Belfast and Londonderry, the two largest cities in Northern Ireland, and several towns in the republic.

"The mission is a follow-up to the conference for trade and investment in Ireland held in Washington last May which brought US, Northern Irish and Irish business together," said a White House official.

"The current atmosphere of stability presents numerous opportunities for US businesses that at the same time support Northern Ireland's economic transition," added Mr Ron Brown, US commerce secretary. Mr Brown led the first US business development mission to both parts of Ireland almost a year ago.

● Mr Bertie Ahern, leader of the opposition Fianna Fail party in the Republic of Ireland, called yesterday for international help to end the stalemate over "decommissioning" of Irish Republican Army weapons which has halted progress towards a political settlement in Northern Ireland. He said the impasse was the result of "a profound political miscalculation by the British government."

Eurofighter Dasa reluctant to take second place to British Aerospace

Summer confidence is grounded

By Bernard Gray, Defence Correspondent

This was a problem which was not supposed to happen. According to officials at the British Ministry of Defence in the early summer, a deal was in the offing which would settle the thorny question what to do about the reduced number of Eurofighters which Germany wanted to buy and how much work each country should get as a result.

While the Memorandum of Understanding between the partner governments clearly stated that production work for each should be proportional to the number of aircraft bought, and Germany had cut its requirement from 250 to 140, a stratagem was discussed which would mitigate the fall in German work share. Rather than see Germany's share of the work fall from 33 per cent to 23 per cent, and the UK's share rise from 33 per cent to 41 per cent, Germany would be offered 30 per cent with the UK rising to 36 per cent.

In return Britain – in practice British Aerospace – would become the prime contractor for the project: taking overall management responsibility for the Eurofighter, assuming the risk of running the project to time and cost and benefiting from any higher-margin export orders it could secure.

The proposal would both sharpen up the management of the project, while protecting each of the partners' intellectual property rights and maintaining the ability to produce complete aircraft in Germany, Italy and Spain as well as Britain.

So sure were British officials that Germany would jump at what amounted to DM2bn of work to which it was not strictly entitled, that Mr Roger Freeman, then defence procurement minister, was confident that the issue was likely to be resolved by the end of the summer.

That reckoned without the ambition of Daimler-Benz Aerospace. Dasa, which has severe problems with its civil aerospace division, is reluctant to see its status undermined further by being seen to take second place to BAe in the Eurofighter programme.

Internal politics may have also played a role at Dasa. With executives keen to avoid blame for difficulties at its Fokker and Airbus operations, none is prepared to accept a dilution of the company's position in Eurofighter.

Mr James Arbuthnot, the current UK procurement minister, is thought to be less sympathetic to German sensitivities than his predecessor, as selling the deal in Britain will not be easy. The UK feels it has gone as far as it can to ease German problems.

The risk is that if a deal is not struck soon, attitudes on both sides may harden, with each side retreating into entrenched positions. If the issue does become finally deadlocked, production of the Eurofighter will be delayed still further, and those who would like to see Europe buying US warplanes will have their hand strengthened.

Government urged to place records on Internet

By William Lewis and Stephen McGookin

The government has been warned that its protection of copyright in records of parliament and legislation is becoming impossible to enforce because of the Internet, the global computer network that links more than 25m people.

The Campaign for Freedom of Information says that HMSO, the government-owned publishing organisation, is refusing to allow access to Hansard and acts of parliament on the Internet so that it can continue to exploit its copyright commercially. Hansard is the daily record of proceedings in both houses of parliament.

It is possible in the US to obtain on the Internet the entire Congressional Record, all federal laws and bills, and other data.

The British Campaign is demanding free access to the similar material, stating that copyright may become impossible to enforce now that British statutes are being put on the Net by academics at Australian and US universities. Officially, electronic publication of most British material is allowed only through payment of significant fees or royalties to the government. Hansard, for example, is available on CD-Rom from a commercial organisation. The campaign argues that the costs of accessing the material in this form are "beyond the means of ordinary individuals and most voluntary organisations".

Mr Maurice Frankel, director of the campaign, argues that "problems in this area are likely to be exacerbated by the proposed privatisation of HMSO". The government announced last month that it was considering privatising HMSO, which provides printing and publishing services and other office equipment to parliament and government departments.

The campaign says that once HMSO is privatised it will "act from commercial motives, without regard for the public interest in making official information freely available, and remove the opportunities for political influences over pricing decisions".

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UK NEWS DIGEST

Boost soon for finance initiative

A big boost for the private finance initiative, the government's flagship policy for shifting the financing and management of state-funded investment to the private sector, will be announced in next month's Budget. Mr Kenneth Clarke, the chancellor, is likely to set a target next year of about £5bn ($7.9bn) for projects under the initiative, representing more than a fifth of the government's total investment programme of about £21.7bn.

This year's target is about £2.3bn, excluding the contract for the fast rail link from London to the Channel tunnel. That deal, which has still to be finalised, will add a one-off £2.7bn to the total when it is agreed. In like-for-like terms, next year's target will be about double this year's, signalling Mr Clarke's determination to accelerate a policy which he believes could have as big an impact on the public sector as privatisation had in the 1980s.

Andrew Adonis, Public Policy Editor

Santer condemns minister's anti-Brussels speech

The fiercely Eurosceptic speech made at the Conservative party conference last week by Mr Michael Portillo, defence secretary, was widely condemned yesterday. Mr Jacques Santer, president of the European Commission, said on British television he agreed with his officials who condemned the speech as "grotesque and deplorable". Pro-European Conservative MPs are to protest about the speech tomorrow to Mr Malcolm Rifkind, foreign secretary.

PA News

Gas chief may stay outside share incentive scheme

Mr Cedric Brown, chief executive of British Gas, is expected to decline the opportunity to take part in the company's new long-term share incentive plan for senior executives. The company yesterday refused to comment on reports that Mr Brown was not participating in the scheme as part of British Gas's continuing attempts to defuse the public outcry over its pay policies. Earlier this year the company and Mr Brown were widely criticised when he received a rise of more than 70 per cent in the value of his total pay package.

Details of the first share allocations to be made under the performance-related plan are expected to be made public today in an announcement to the Stock Exchange. The scheme was set up by Mr Richard Giordano, chairman of British Gas to replace a share option scheme which ended last year. An outline of the scheme published in the company's annual report earlier this year said that senior executives can qualify for an annual allocation of shares equivalent to between a third and 125 per cent of their base pay.

Robert Corzine, Industrial Staff

Stores group attacks price-fixing of medicines

Asda, the supermarket group whose discounting of books helped hasten the demise of the Net Book Agreement, has launched an attack on one of Britain's last legal price-fixing arrangements: the right of manufacturers to set prices for non-prescription medicines. The supermarket's move could be followed by a review of price maintenance in the over-the-counter drugs or "medicaments" market by the Office of Fair Trading.

Removal of price maintenance could lead to lower prices on "medicaments", but analysts warn it could put smaller pharmacists out of business. Larger retailers' and drugs companies' margins could also be squeezed. From today Asda is cutting prices by up to 20 per cent on 82 branded vitamins, minerals and supplements covered by price maintenance, mainly products from Seven Seas, owned by Hanson, and Roche Consumer Health's Sanatogen. "Medicaments" have been subject to resale price maintenance since 1971 after being granted an exemption under the Restrictive Practices Act to ensure the widest possible availability of common treatments such as aspirin.

Neil Buckley, Consumer Industries Staff

Time to decide on boxing ban, say doctors

It was time for society to decide if boxing should be banned, the British Medical Association, which represents family doctors said yesterday after the death of a 25-year-old boxer in a championship bout. James Murray, the 24-year-old Scottish bantamweight champion, was knocked out in the 12th and final round of a fight for the British title with Drew Docherty on Friday. Murray was declared dead in a Scottish hospital yesterday morning amid controversy about the violence which erupted among spectators as doctors treated Murray in the ring. Lord Douglas-Hamilton, a minister in the Scottish Office, said he was "disturbed to hear about the disorderly and illegally violent conduct" at the match. He hoped "firm action" would follow inquiries by the police and British Boxing Board of Control. *PA News*

Fake £20 notes seized: Three men were arrested after police seized from a printing company equipment capable of producing more than £2m ($3.1m) in fake banknotes. Police said the company in east London was raided as a "very sophisticated and organised team" was printing fake £20 notes.

Van theft fails: Thieves broke into a van in Birmingham and attempted to start it by "hot-wiring" the ignition. When that failed they put the vehicle in gear and pushed it for more than 1km trying to "jump-start" it. When that also failed they left it near the home of the owner who had removed the engine for repairs. "These criminals were obviously lacking in the brain department," said local police.

THIS WEEK

Discreet charm of inequality

DATELINE

Paris: France espouses equality but promotes privilege, writes David Buchan

It would be a curious accident of history if Europe were to fail to achieve monetary union (Emu) early in the 21st century, solely because of a row over one Frenchman's rent in the middle of the last decade of the 20th century.

That, of course, is an exaggeration of the stakes riding on the outcome of the scandal over Prime Minister Alain Juppé's apartment.

Last week the Paris prosecutor reprimanded Mr Juppé for breaking a conflict of interest law by using his former position as deputy mayor of Paris to award himself a city-owned, nicely-appointed, lavishly-refurbished apartment for which the prime minister paid slightly more than half the market rate in rent.

But the prosecutor decided to let the prime minister off, provided the latter carried out his intention to move ont and that he affirmed it in writing.

But the linking of Emu's fortunes with those of Mr Juppé is not completely ridiculous. First, France is key to Emu, which only makes political and economic sense if at least one big economy outside the current D-mark zone (Germany, Austria, Netherlands, Luxembourg) joins in. Second, Juppé is key to preparing France for Emu.

True, he has spent nearly five months dithering, partly frightened by the housing shadow hanging over him. But at last he has a plan that bets on everything – tax reforms and deficit cuts – coming good in 1997, which is the crucial Emu-qualifying year. And Mr Juppé is one of the very few Chiracian gaullists with the pro-European and deficit-cutting views needed to carry it out.

The Emu argument does not excuse Mr Jupp's behaviour, any more than do the past pecadillos cited by his supporters.

There is a lengthy list of these: income tax avoidance by ex-gaullist prime minister Jacques Chaban-Delmas; questionable receipt of African diamonds by ex-president Valéry Giscard d'Estaing; an inappropriate FFr1m loan that the late Mr Pierre Bérégovoy, a prime minister under President Mitterrand, took from a businessman friend of the president; even the role of a public housing association stepping in to maintain the lease of a Paris apartment to the Chirac family (this, like the Juppé affair, is the subject of a complaint to an administrative tribunal).

All these incidents underline the curious half Latin, half northern make-up of France and its public life.

That was brought home to me a couple of years ago by a finance ministry spokesman, when I had finished an interview with the minister which was partly about how France intended to meet all the Teutonic disciplines of Emu.

Asking to see what direct quotes I intended to use in the interview, and fearing that I was going to get all Anglo-Saxon about journalistic independence, even on a matter of checking the correct translation of quotes from French into English, the spokesman explained: "You must understand, monsieur Buchan, we are a society that is half Latin".

Ethnically, the mixture is obvious. The Romans never conquered all Gauls, whose resistance was later to be glorified in the Asterix cartoons. The headquarters of Roman Gaul were in Lyon, way down to the sooth east, and there was nothing Latin about the eleventh century Normans who conquered England. Alsace and Lorraine give the eastern border a Germanic flavour.

In terms of religion, the majority is Catholic, and it is interesting that those Germans who have reacted most allergically to President Chirac's nuclear tests are from the Protestant north and east, not from Chancellor Kohl's Catholic Rhineland.

But France's Protestant minority, despite a couple of attempts (1572 and 1685) to stamp it out, has exerted, and still exerts, an influence beyond their number. Freoch Protestants, like Micbel Rocard and Lionel Jospin, past and present leaders of the Socialist party, are not only considered by French Catholics more moralist, but also more moral. The mixture has been further altered by the influx of three million Muslims, though in some ways it is still too early to gauge.

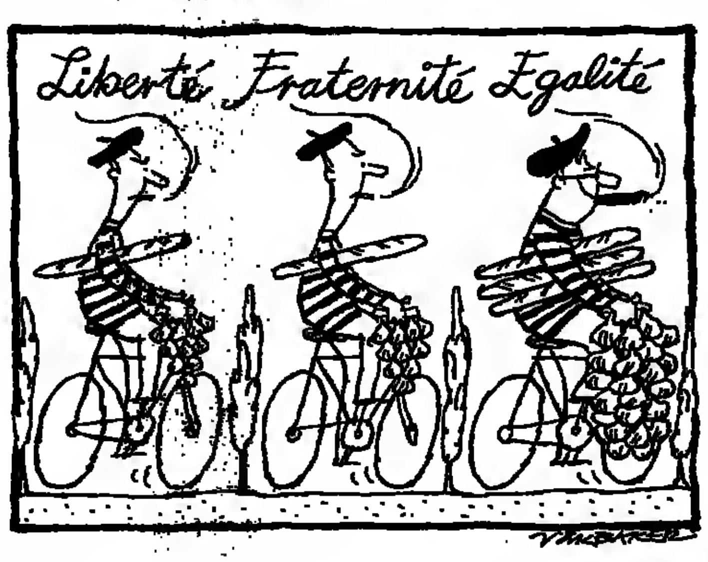
At its best, France blends northern efficiency (excellent public infrastructure and services) and sonthern charm (leisurely café life). It is bombastic in a Latin way about its world role but technically capable of attaining high ambitions – TGV trains, an independent nuclear deterrent and Ariane space rockets. It remains to be seen whether France is financially capable of that other French-inspired idea, Emu.

At its worst, bowever, it has been living a lie, ever since the 1789 revolution, between publicly declared equality for all and private privilege for many of those running a state in which the Jacobins centralised even more power. It is this lie that is being progressively uncovered by the Juppé affair and others.

Part of the problem is "repuhlican" coyness that French presidents and prime ministers show in using, respectively, their Elysée and Matignon palaces as a home as well as an office.

Five months after the election, the Chirac family is only now moving into the Elysée. Mr Juppé is now going to move into the Matignon's small private apartment.

If, on his nomination in May, Mr Juppé had moved himself and his wife into the Matignon, the revelations that came a month later about his apartment would have had little effect.



FT GUIDE TO … MODERN BANKING

There seem to be an awful lot of bank and building society mergers and takeovers. What is going on?
The largest wave of restructuring in the UK financial services industry since the 1960s. That was when the "big four" banks – Barclays, National Westminster, Lloyds and Midland – were formed.

Why?
Some banks have spare capital to make takeovers. Others are willing to be bought.

Why have some got spare capital?
Banks suffered badly in the early 1990s from the loans they made during the 1980s which went wrong. They were hit by lending to small businesses. But they have been very profitable in the past three years.

Why don't they use it for something else?
There are two alternatives. One, give it back to shareholders. Only Barclays has done this by a so-called share buy-back. Two, lend it. Low inflation means lending is growing slowly, and there are few opportunities.

So, what is the point of buying another bank?
If you can't raise profits by increasing income, you must cut costs. The obvious way is to buy another bank, shut overlapping branches, make some staff redundant, and cut out duplications. That reduces unit costs.

Why are other banks and societies willing to be bought?
The societies see no alternative. Lloyds' purchase of Cheltenham & Gloucester Building Society this year showed how much members of societies could gain from releasing the capital stored up in reserves. Others now want similar rewards.

What about banks?
Smaller banks see no alternative but to link up with bigger ones. Or they will become uncompetitive. That was why TSB Group opted to be bought by Lloyds Bank.

Is this going to carry on?
There is room for more takeovers. The most vulnerable banks are Royal Bank of Scotland and Bank of Scotland, the UK-based Standard Chartered, and Abbey National. Among building societies, larger ones like Alliance & Leicester, Bristol and West and Nationwide may be targets for acquisition.

Will there eventually be a single super bank?
No. The large banks will probably want to remain independent and the bigger the merger the harder it is to achieva cost savings. And the Monopolies and Mergers Commission would be unlikely to approve a merger between any of the "big four" banks.

Why not?
Because it would reduce competition in the small business market, where only the largest banks compete. There are already complaints about lack of competition for such customers.

Is this good for staff?
Sir Robin Ibbs, chairman of Lloyds, said last week said that his merger would be good for employees because everyone wanted to be part of a winning team.

Was that convincing?
No, it was absurd. Lloyds says staff will be cut mainly by natural wastage. However, there in the [illegible]

What [illegible]
In the [illegible] New big [illegible] and the [illegible] rise again [illegible]

Are these [illegible] going to be like the old ones?
Probably very similar, but with fewer branches. There are too many bank and building society outlets on high streets. [illegible] ers will mean overlapping branches [illegible]

Won't they lose customers if they [illegible] branches?
They may, although the US experience of bank mergers suggests banks can get away with closing branches. But Sir Brian Pitman, Lloyds' chief executive, says branches are going to remain the largest single source of new business for retail banks for years.

Why not just rely on telephone banking?
There is a problem with telephone banking. Many people prefer it, but it is expensive to provide it in addition to a branch network. Many customers prefer branches. Just now, banks are stuck awkwardly between different customer generations, and habits.

What about banking by personal computer?
Banks love the idea as it is very cheap if customers carry out the transactions themselves. But customers show few signs of adopting it. Even on the west coast of the US, a highly computer-literate region, relatively [illegible] computer.

[illegible] lapped up [illegible] with TSB [illegible] banks rose [illegible] potential take- [illegible] like banks [illegible] the quickest [illegible]

[illegible] it is good, then?
Maybe. [illegible] wasting their money [illegible] too much of it [illegible] in the 1980s. Several [illegible] banks. It turned out to [illegible] it seemed a good idea [illegible] ruined.

What could go wrong this time?
They might buy the wrong bank, with undiscovered problems. It could be much more difficult to take out costs than they imagine. They could end up spending large amounts in restructuring costs, while never getting the benefits they claimed.

That sounds pessimistic.
Never underestimate the ability of a bank to mess things up. That applies as much to buying other banks, as carrying out your standing order.

John Gapper

PEOPLE

Italian state sector foils US style management

The odds are against Alitalia's chief, writes Andrew Hill

The decline and probable fall of Roberto Schisano, chief executive of Alitalia, Italy's loss-making state airline, is a tale of how US-style management became entangled in the peculiar problems of the Italian state sector.

After 18 months of cost-cutting, restructuring, and confrontation with the unions, it is now clear that Schisano, 52, has lost the confidence of the Italian government and IRI, the state holding company which owns 86 per cent of the airline.

Last Wednesday during a stormy meeting with Michele Tedeschi, IRI's chairman, Schisano refused to step down. If he does not bow out earlier, a full board meeting on Thursday could force his band hy stripping him of his powers.

He is likely to be replaced by Renato Riverso, the former head of IBM Europe, who joined Alitalia as chairman, alongside Schisano, in February 1994.

Schisano will not go quietly. He spent his entire career until 1994 with Texas Instruments, the US hi-tech company. The Italian state sector is not used to such an aggressive, independent approach and if Schisano is forced out, most observers expect he will use his new freedom to attack the byzantine workings of the old system.


Encountering turbulence: chief executive Roberto Schisano

The irony is that Schisano and Riverso have already done much to put Alitalia back on a steady flightpath. When they joined, the airline was racked with problems. The corporate structure was outdated and hierarchical, with two separate air lines – Alitalia on international routes, and Ati for the domestic network. For example, where other air lines fixed up complex financing deals to offset the cost of purchasing new aircraft, Alitalia was still in the habit of seeking expensive loans from its banks for each plane.

In 1993, Alitalia reported losses of L343bn (£136m) – compared with L17.6bn in 1992 – and debt of L1,640bn. Four months after arriving, Schisano warned that the airline was losing nearly $1m a day.

The solution, in a plan launched in May 1994, was job cuts, more flexible contracts for pilots and crew, better use of the fleet and "decisive action" ou spending. Schisano and Riverso aimed to cut operating costs by 12 per cent, and personnel costs by 20 per cent, in time for full liberalisation of the European airline sector in 1997.

Alitalia and Ati were merged and in his most controversial move, Schisano agreed to "wet-lease" planes and crew from Ansett, the Australian airline, starting this year, to improve Alitalia's competitiveness on North American routes.

In 1994, the airline's net losses were cut to L288bn, although debt continued to rise, and management were close to their personnel targets. But from the outset, Alitalia was hit by industrial action as workers reacted angrily to the cuts.

Alitalia's pilots have been Schisano's nemesis. They bave held out against every effort, first by the airline, then by IRI and the Italian government, to box them into a solution.

The dispute took a decisive turn for the worse in June, when pilots began wildcat strikes. Other Alitalia employees interpreted Schisano's attempts to negotiate with the pilots over the summer as favouritism, while the government accused him of underming their attempts to limit public-sector wages.

The final straw for IRI may have been the group's half-year results, published at the end of last month. They showed a net loss of L197bn, only L29bn less than in the first half of 1994, and a L500bn increase in debt during the first half to L3,562bn. Break even – the essential condition for a new injection of capital from IRI – would not be reached in 1995, the airline warned.

Alitalia blamed the worse than expected results on the "high degree of internal and external strife". IRI appears to have blamed Schisano.

NAMES IN THE NEWS

Daiwa's new president faces a mammoth task

Even by the standards of Japanese banking, the task confronting Takashi Kaiho, Daiwa Bank's new president, is unenviable, writes Gerard Baker in Tokyo.

He must rebuild the bank's shattered reputation and morale, following the recent revelation of losses of more than $1bn from unauthorised bond trading at its New York branch. He must also snpervise one of the most extensive restructurings ever seen at a Japanese bank.

Kaiho, 58, has moved across from the deputy president's seat to the position left vacant by Akira Fujita, who took responsibility for the bank's massive losses.

The new president is – of course – a lifelong Daiwa man, but, unusually for a senior manager at a Japanese bank, he has never worked abroad. That may complicate his task.

He will have to rebuild international trust in the bank, damaged not just by the losses, but also by the bank's less than straightforward behaviour in revealing them to the world. Daiwa and the Japanese finance ministry sat on the news for almost two months, during which time the bank stepped up its fund-raising activities in global capital markets.

That delay is now the subject of extensive investigations. There are even suggestions that among Kaiho's early visitors will be FBI agents, looking for clues to the losses and snbsequent deception. When the detective work is over, Daiwa seems certain to face punishment, probably in the form of curtailment of its operations at home and abroad.

Mining merger will spotlight Davis

Last week's merger proposal between London-based RTZ and Australia's CRA, has propelled Leon Davis into the spotlight, writes Nikki Tait in Sydney.

Assuming the deal goes through, Davis will become chief executive of the new mining colossus at the end of 1996.

That is when Sir Derek Birkin, the present chairman of RTZ, plans to retire. As Davis has only been cbief exeentive of CRA for 15 months, this looks like a meteoric rise.

But Davis, a 56-year-old Sooth Australian, has been witb the group for almost four decades, having joined as a metallurgical cadet in 1956.

He spent time in Papna New Guinea, with the troubled Bougainville Copper project, and in Singapore with Conzinc Asia. He was managing director of one of CRA's coal subsidiaries and chairman of Argyle Diamond Mines, before being seconded to RTZ as mining director in 1991.

And while Davis may be an unknown qnantity to European financial markets, his brief period at the belm of CRA has made plenty of waves.

Two years ago, Australia's mining industry went to war with the federal government over the issue of Aboriginal land rights. It gained little beyond a wash of bad publicity, and has been trying to mend hridges since.

Antofagasta keeps it in the family

The London-listed Chilean mining, banking and rail group Antofagasta Holdings is one of very few vehicles enabling outsiders to get a slice of Chile's booming copper mining industry, writes Imogen Mark in Santiago.

Controlled by Andronico Luksic Abaroa, 68, the son of a Jugoslav immigrant to Chile, who bought his first shares in the then Antofagasta railway company in 1951 it has grown into a considerable empire.

Both Luksic's friends and critics agree that his strength is his nose for a bargain.

He also knows how to delegate, oot least to his sons. His youngest son, Jean-Paul, is learning the railway business, while his elder son, Andronico junior, runs the banking interests. Currently be is guiding the bank towards an ambitious takeover of the second biggest local bank, Banco de Santiago.

The middle son, Guillermo runs a variety of industrial companies, including a pasta factory, Lucchetti; a copper manufactures company, Madeco; and a cable company, VTR.

FILM/VIDEO

Soon after hearing the news that his wife is pregnant, child psychologist Hugh Grant is kidnapped by interdimensional demons.

Fleeing, he falls through space only to find himself in the home of a garrulous Chilean exile (Philippe Noiret) in Southern Italy.

From there he plans his next career move: to help a group of Beverly Hills teenagers complete the US's military annexation of Canada.

Far-fetched, you may be thinking? Not at all.

That scenario is nothing more than a blend of the week's new film plots. Sometimes a little mix-and-matching creates a higher sanity – and who, after all, could believe bare reality?

A mere six months after Hugh Grant reached the supposed sunset of his career, he pops up as star of the hit comedy *Nine Months*: laughter and slapstick from the director of *Home Alone*.

Several years after vanishing from our screens, British director Michael *1984* Radford turns up with an Italian winner, *Il Postino*.

And none other than the late anti-Romantic Jane Austen breathes inspiration into *Clueless*, an American teenage romantic comedy ostensibly based on her classic novel *Emma*.

Reasons best known to the makers – one must presume – have led them to transpose the action from 18th-century England to present-day Beverly Hills.

For less mind-boggling fare, there is the parallel universe fantasy *Mortal Kombat*. You have played the video game; now watch the hit movie. Or, in *Canadian Bacon* you can assist writer-director Michael *TV Nation* Moore enact his country's conquest of Canada: a joke somewhat better in the imagining than in the telling.

It is a Halloween world. While the film industry grins at us through pumpkin teeth, things are scarcely more sober on the video front.

Your tricks are *Diva* and *Tatie Danielle*, two overrated French *comedies noires*. But your treats are Martin Scorsese's reissued *Mean Streets*, first masterwork by the artist of urban inferno, and the endearingly zany *Hercules Returns*, an Aussie spoof on toga movies.

Nigel Andrews


Less than a hint of Jane Austen: Alicia Silverstone, right, in the Emma role, and her phone star in *Clueless*

هكذا من الأصل

MEDIA FUTURES

A telephone, Jim, but not as we know it

Christopher Brown-Humes boldly maps the rapidly expanding galaxy of non-voice services for hand sets

Did you care about the OJ verdict but couldn't get near a TV or radio? Two Finnish companies could have helped: they are claiming to be the first in the world to feed important news items directly into the handsets of mobile phone users.

The development comes at a time when mobile phonea are increasingly used for non-voice services, including messaging, data transmission, aending and receiving faxes and accessing the internet. Snch capabilities are giving handsets a role in the information technology revolution going well beyond their primary functions.

"We should start thinking of cellular as an enabling technology, not just a speech device," says Mr Nigel Litchfield, senior vice-president at Nokia Mobile Phones.

The groups offering news by mobile phone are STT, the Finnish news agency, and Aamulehti, a newspaper and electronic information group. They are in direct competition, but the business idea is the same: to ensure that people on the move are kept abreast of important developments.

It is not surprising that Finnish companies are leading the way. Finland is one of the world's most news-hungry nations. Helsingen Sanomat, the leading quality paper, sells 500,000 copies a day in a country of 5m people - while mobile phone penetration rates are the second highest in the world after Sweden.

The news service uses the short message service (SMS) capability of a GSM-standard mobile phone. SMS enables mobile phone usera to receive short text messages of up to 160 characters and is often used by corporate executives to send messages to each other.

STT's service is undergoing trials, with all subscribers initially getting exactly the same news. Only important stories will he transmitted: some days that would mean ten or twelve items; on other days none at all. The average might be three or four items. The plan is keep charges below FM100 a month, including the costs of the two operators, Telecom Finland and Radiolinja. From early next year more customer-tailored packages will be offered in sectors such as economics and sport.

Aamulehti already offers different packages. The choice includes general news, economic, financial (stock-market and exchange rate movements) and sport, or any combinatinn of them. General news is updated three or four times a day while financial news goes ont twice a day, before and after the stock exchange closes. One innovation involves the use of a voice data-base. After receiving a hot news flash on their mobile phone screen, subscribers can call into a voice data-base for more detailed information about the topic.

Advantages of these systems are that messages reach customers even when they are temporarily out of radio coverage or when their pbone is switched off. They can he reached wherever a GSM system is operating. Disadvantages are the 160 character limit on every news item and the lack of memory space, restricting the supplier's ability to provide more information.

In a world saturated with news and news outlets, one may ask whether people will be prepared to pay for services like these. Yes, insists Mr Per-Erik Lönnfors, STT managing director. "There's a certain part of the financial community for whom important news is worth money. Most of the time they are next to their personal computers, online. But there are times when they are not next to their PCs when they still want to know if something really important is happening."

That still leaves the concept vulnerable to strong competition from paging devices and other news media. The optimistic scenario advanced by Aamulehti executives is that mobile phones will eventually subsume the role of tha pager.

For that to happen, technology will need to overcome some of the system's current handicaps. But technology is advancing fast, affecting not only the possibility to transmit larger amounts of news but also the ability to use the mobile phone in a host of other applications.

Already, by linking a GSM phone to a computer, it is possible to send and receive e-mail, to access a company's database, to send and receive faxes and to surf the internet. Data transmission is also beginning in earnest. Nokia technology, for example, allows data transmission, with error correction, at a 9,600 baud rate. According to one estimate, half the information carried by GSM will be data by the year 2000, compared with only 10 per cent today.

Within five or ten years, things will have developed further and it should be possible, via a mobile phone, to send still and moving video pictures. That opens up a range of new applications, including video conferencing.

Purely domestic users will also see benefits, as callular merges with electronic personal organisers. There will be new ways to order goods and services, make money transactions, and communicate with friends and colleagues. There conld also be a role for the mobile phone in everyday tasks such as water/electricity metering and motorway tolling.

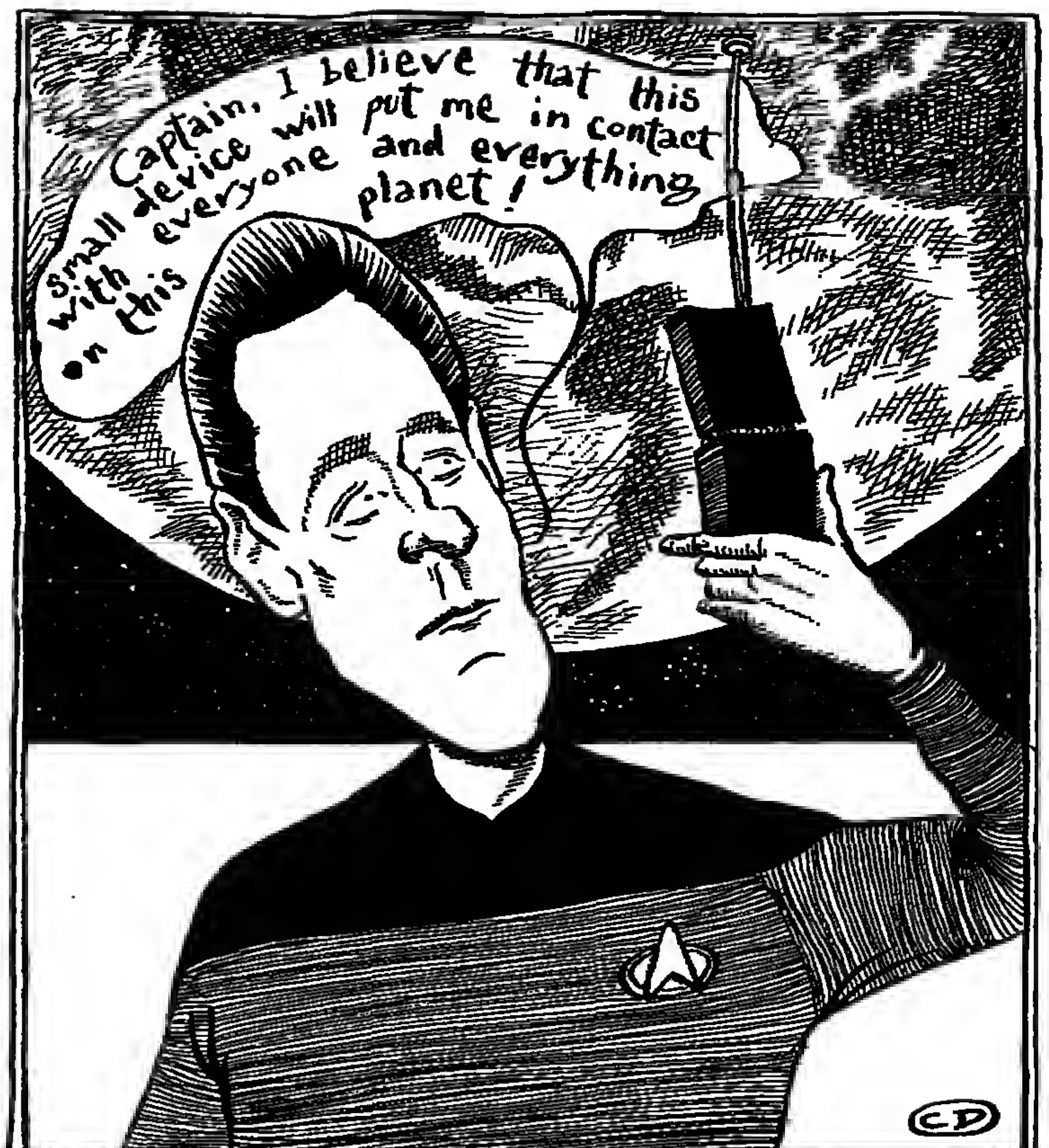
"GSM was designed from tha start to be more than just speech," says Nokia's Mr Litchfield.

He says exploration of the new possibilities will bring increased collaboration between data providers, phone manufacturers and service operators. But he identifies potential constraints; one is the sheer physical availability of radio spectrum to carry some of these services. Another is competition from other technologies, including fibre-optic cables.

And then there is the question of usage. How many people will want to use mobile phones for more than just talking? That will depend partly on cost and partly on research to develop smaller phones with greater chip memory capacity and faster data transmission rates.

"Most people are going to want basic speech and there will be a limit to bow many will want heavy data", Litchfield predicts. But he notes that the mobile phone industry is constantly trying to broaden its appeal, both to increase its general penetration rates, and to get existing users to replace their phones with more sophisticated models.

The more progress it makes toward the second goal, the more likely that mobile phones will become an important part of the information technology revolution.



UPWARDLY MOBILE

Cyber sightings

By Stephen McGookin

● Woodrow (just bow long will it take the US government to run out of President's names?) is the Minneapolis site of the Federal Reserve Bank (*http://woodrow.mpls.frb.fed.us*). It has information on banking supervision and links to other Fed sites. It hopes to allow subscribers to receive e-mail elerts on key economic information, while details of the Beige Book, which outlines US economic activity, will be available from 1st November.

● Rupert Arnold, of Lambourn in Berkshire, has become the first UK racehorse trainer to set up a Web site – and very good it is too. Arnold's Cedar Lodge Stables site (*www.pavilion.co.uk/CommonRoom/ftprace*) is sponsored by Bankers Insurance.

The 'Trainer's Diary' gives details of likely runners and Arnold's trips to the sales and you can e-mail equine qneries directly. A fascinating look at the world of the turf.

● SmallbizNet (*www.lowe.org*) is an information clearing house for US entrepreneurs and the organisations that work with them, set up by the Edward Lowe Foundation, named after the inventor of KittyLitter who died this month, leaving $30m to establish the foundation.

The business links themselves are nothing special, but it's worth a visit to find out about the late Mr Lowe, "the man who forever changed the relationship between people and cats."

● The European Business Directory (*www.europages.com*) says it provides contact information for 150,000 companies in 25 conntries, searchable by company or sector in five languages – English, French, German, Italian and Spanish.

● Business Day, Thailand's first English-language business daily newspaper (*http://goldsite.com/ ˜bday*), promises much but doesn't deliver. The layout is embarrassingly poor and something has gone haywire with the coding on the images. *Every* link throws up an error.

The lesson bere: If your page is so obviously under construction, don't announce it until it's right.

● Guardian Insurance is using its Web site (*www.gre.co.uk*) to promote its new 'Networker' policy offering coverage of home and business use of personal computer equipment.

The site is well-organised and easy to navigate; with a useful extensive list of links to other UK financial services locations.

Stephen McGookin
steve@mcgook.demon.co.uk

Early settler lops off branches


Tim Jackson

It was pure coincidence, hut the day the announcement of the merger between Lloyds Bank and TSB hit the papers, I was lunching with my bank manager. It takes poetic licence to describe Kevin Newman as a bank manager. He is chief executive of First Direct, Britain's fastest growing bank and the institution that can claim to be furthest ahead in the use of technology to revolutionise banking.

While the Lloyds group and TSB have 3,086 branches between them, First Direct has none. The point of the service is that customers use the phone: to pay hills, to check an account balance, negotiate an overdraft or agree a mortgage.

At 38, Newman is probably the youngest chief executive in British banking.

He is unusual for another reason: he was promoted to chief executive from operations director, after running First Direct's computer side. In most British companies, IT directors have as much chance of becoming chief executive as women do.

Yet a technology man turned chief exec seems appropriate for First Direct. The bank employs 2,300 people in a post-industrial shed on tha outskirts of Leeds. Computers are critical to its operations; the bank would grind to a halt if all three of its systems were to crash together.

The idea behind the launch in 1989 was elegant. Abolishing the branch network and doing most things by computer would slash costs, but this cost-cutting would mean better service to customers rather than worse. While my local bank branch has perpetual queues, First Direct usually answers its phones promptly and the staff are friendly and efficient.

New banks have to spend heavily on marketing, as British customers are so cynical about their hanks that it is hard to persuade them to try something new. Only ona in five believes there is any difference between banks, and only one in 30 changes banks in a given year.

Despite the increasingly hard-nosed attitude banks now take to their clients, First Direct aims to use technology to recreate the old-fashioned banking relationship. If you call to ask for an overdraft, staff can make a decision there and then, not because they know you personally, but because their computers give them instant access to the information that they would have if they did.

The system also allows the bank to offer customers new services or products when they call, such as a higher-rate deposit account to someone who has a high current-account balance. That kind of marketing costs less than junk mail but feels more friendly to customers.

The bank could do more. It might offer differential deals on credit cards, as companies do in the US, tailoring the toterest rate to the risk. But First Direct has beld back from this simple and highly profitable approach for fear that it might generate adverse media publicity.

It might also make use of transaction data, to sell products – for instance, offering car insurance to a customer whose account shows an upcoming payment to a competing insurer. But that has been vetoed by First Direct's compliance officers, anxious that customers might consider such selling a breach of confidentiality.

First Direct is also holding back from what is arguably the most important coming change in banking – an online service direct from customers' PCs. That does to telephone hanking what telephone banking did to branches: it slashes transaction and labour costs, while providing increased convenience to customers.

Newman is to meet people at Intuit, who make the world's leading personal finance software, in the next few weeks. But be does not expect to start developing an online banking service until next year: or to offer it publicly until 1997.

That is partly because of the absurdity of British banks' pricing. The principle of "free banking in credit" forces them to hide the considerable costs of running a cheque account in other charges – and means that low-cost PC-based services cannot compete on price.

It is also because of a fear of being first. "Pioneers get arrows in their backs," said Newman. "Its better to be an early settler."

If First Direct were to make a deal with Intuit, I suggested, they might discover 50,000 technology enthusiasts who would find an integrated online banking service so irresistible they would sign up immediately. These would be prosperous, professional, educated clients – the kind that banks pay heavily to recruit as penniless students. Wait too long, and the first mover's advantage would evaporate.

Newman said: "You have to remember that you're a technology journalist and you live in London. Our average customer is Mrs Bloggins in Worksop, who needed us to explain how she could make withdrawals if we have no branches when she opened her account: and who was astonished whan we launched a mortgage service by phone. "But I'll think about it," he added taking a note with a propelling pencil, while I paid for lunch. And as I reflected on his admirable attention to cost control, he asked for directions to the Tube.

Tim Jockson can be reached at Tim.Jackson@pobox.com.

A publisher who had a global electronic dream

Raymond Snoddy examines Joseph Dionne's vision

Mr Joseph Dionne joined the McGraw-Hill Book Company in 1967 as vice president for research and development in the group's educational development laboratories. A year later the company published Marshall McLuhan's revolutionary book *The Global Village*.

"I was infected with enthusiasm," says Dionne who has spent the rest of his career trying to implement the global electronic dream as a business concept, as chief executive of what is now called The McGraw-Hill Companies since 1983 and later as chairman. "It's not unusual for a technology to take 20 years to develop a culture," says Dionne who says he has spent the last 10 years "re-tooling" McGraw-Hill for the electronic age.

The effects can be seen at the University of Southern California where McGraw-Hill, which has interests from education and financial information to television, is moving far beyond the traditional concept of academic publishing.

The company is sending a stream of digits rather than books to USC. "They print and we get paid by the click," says Dionne who has extended the experiment to six other campuses.

As a result the McGraw-Hill chairman is toying with tha idea of turning universities into regional printing centres for local community colleges. "My proposition is that within 10 years most college publishing will be a service business where we download streams of digits and they then use them the way they want," Dionne argues.

"When we started we thought we had an 18-month lead. Now we think we have a three-year lead," says Dionne whose company is 107 years old and which had revenues of $2.7bn last year and net income of $203m.

The company has already introduced greater flexibility into the educational publishing field through Primus which is now available on 900 American campuses. Primus offers academics a database with more than 150,000 pages in 16 disciplines ranging from education, english and engineering to philosophy, physics and psychology.

Academics can then create their own texthooks by choosing chapters or papers, then add their own class notes and other more recent articles. "We can print and bind the book and get it to them in 48 hours," says Dionne who adds that some of the material has never appeared in print before.

McGraw-Hill is now considering going one stage further by adapting the concept to speed up the process of disseminating academic journals in electronic form, although print would remain availabla to those who want it.

He beliaves that the same processes that revolutioned financial services, by speeding up interactions enabling more transactions to take place and greater wealth created, is about to speed up academic publishing.

"The same multiplier will take place in the research and development function just like it did in financial services," says Dionne.

At the moment McGraw-Hill products start out in digital form and then 70 per cent go to the consumer in print with 30 per cent delivered electronically. In financial services the proportions are the other way around.

Dionne is pragmatic abont what the relationship between print and electronic delivery in different markets should be and insists that McGraw-Hill's services such as Standard & Poor's debt ratings should be carried on all networks where security and the ability to charge can be guaranteed.

He is very wary about just dumping information on the Internet. At one stage the company found that 50,000 browsers on the Net has seen its flagship publication Business Week and not one extra subscription had been generated. Now Business Waek is available only on AmericOnline where users pay.

Apart from the extra revenue generated, Dionne believes electronic publication is wholly beneficial for paper-based magazines.

Electronic access creates greater awareness of the print product and becanse there are two streams of revenue prices can be reduced. Electronic access is also a very sophisticated form of market research. You know which bits readers are interested in and the original product can be improved as a result.


Enthusiast: Dionne

McGraw-Hill's experience is that wben a magazine goes electronic the sale of the print product has risen.

Electronic publication has however increased the demands made on journalists. Every Sunday night the writers of the lead article in the current issue of Business Week make themselves available to be interrogated electronically by readers. "There is an open chart session that goes on as long as people are interested in asking questions," says Dionne who is happy to make himself available for electronic interrogation to his staff.

Later this month he will set aside a day and a half to deal with questions from the 9,000 of McGraw-Hill staff who are on e-mail. "Rather than create a two-class society I think this technology is going to be more democratic than it has ever been in the past because the cost of connecting yet another home is not that great," says Dionne. By the turn of the century he expects that the proportion of McGraw-Hill's business reaching the user in electronic form will have risen to 40 per cent.

But what is the ultimate destination? "Interactive networks with two wires to every home, officer and school," says Dionne who has been at work on the electronic revolution for nearly 30 years.

PCs become radio stations

Software to turn a personel compnter into an Internet radio station for $99 and which may shake up the music and radio broadcast industries will soon be reaching the stores, *writes Victoria Griffith.*

Desktop radio, as the new technology has been dubbed, may soon turn cyberspace from a text-based system into a platform people can use to play or say what they like. "If you find yourself thinking 'I wish my radio station played only Led Zeppelin all day long'. Go ont and start your own station," said Adam Currie, who runs the Internet station Metaverse.

The technology, from Seattle-based Progressive Networks, runs on Windows '95. Easy access to sound waves could undermine the infinence of the big recording companies and radio stations in creating hits. A proud father could try to launch his daughter's violin career by sending out her latest performances.

Roh Glaser, president of Progressive Networks said: "I predict that sometime in the next one to three years, we'll see some rock band hitting the big time by broadcasting on the Internet." Progressive Networks has had software on the market for a year to allow medium-sized operators to set up cyber-radio stations, such a station could be put together with a dedicated hardware system and $1500 of software.

MANAGEMENT

As it prepares for a stock market flotation, **Hugh Carnegy** explains why the Swedish truck maker prefers to keep sourcing in house

Scania pulls ahead of the crowd

It is not every day that a manufacturing company is singled out as the benchmark producer in its sector in the world. That, however, was the accolade accorded to Scania, the Swedish truck maker and a jewel in the crown of the Wallenberg empire, in a study of Sweden's economic performance published last month by McKinsey, the US consultancy firm.

The report* said Scania and its great local rival Volvo were the most productive truck manufacturers in the world – and on key measures Scania outstripped Volvo. On an index measuring value added per hour worked, Scania set the standard on 100, with Volvo close behind, but with next-best Japanese, US and German truck makers trailing by a margin of around 25 per cent.

In profitability, the lead was even more striking. Between 1989 and 1993, Scania achieved an average operating return on sales of 9.9 per cent, compared with 2.6 per cent at Mercedes and 2.5 per cent at Volvo. Unlike almost all its rivals, Scania remained in profit during the most recent recession – and has done so for 60 successive years.

The McKinsey study appeared during what is a big year for Scania. Today at its sprawling headquarters in Södertälje just south of Stockholm, tha company will roll out its first new range of trucks for 15 years – the product that will test whether Scania can hold on to its leading position in years to come.

Earlier this year, the company underwent an important structural transformation when it was split off from Saab, its stablemate since the late 1960s in Saab-Scania, by its owner Investor, the main Wallenberg holding company.

Links between Scania and its loss-burdened cousin Saab Automobile had already effectively been broken in 1989 when General Motors of the US took a half share and management control of the car company. Synergies with Saab aircraft had never amounted to much and Scania made no secret of its relief at being released to follow a wholly independent path.

The McKinsey study showed the number of components used in building a Scania truck in 1994 was 20,000 – compared with 25,000 at Volvo and 40,000 at Mercedes

Now it is preparing for a stock market flotation promised by Investor, which is set to sell off up to 75 per cent of Scania as soon as appears opportune after the new truck launch.

If recent strong worldwide demand for trucks holds up, the flotation should be keenly timed. This year, Scania is ringing up rich sales and profits. In the first half, truck and bus sales rose almost 50 per cent to 22,811 units while pre-tax profits almost doubled to SKr2.8bn (£256m). Performance has been boosted by the relative weakness of the Swedish krona over most of the past three years, but the first-half operating margin of 17 per cent was still an impressive figure, well ahead of Volvo's truck division.

Leif Ostling, Scania's burly chief executive, not surprisingly describes these as "exciting times" for Scania. "There is no company in this industry that has achieved such a strong leverage on invested capital as we have," he declares. He puts Scania's success down to a determination to stick to its strategy of concentrating on heavy trucks (over 16 tonnes), and relying on its own resources to deliver quality products commanding market-leading prices. That is not going to change as Scania pushes to enhance further its market position, he says.

But how has Scania arrived at the enviable position it occupies today – and what are its prospects of remaining a world leader?

The McKinsey study concluded that the most important factor in the supremacy in trucks of Scania and Volvo was the intense competition they both had experienced over the years.

This began in the home Scandinavian market where the importance of the forestry industry, the far-flung geography and the harsh climate established a strong demand for robust, heavy-duty trucks capable of hauling big loads of timber over long distances. Scania and Volvo still dominate these markets. But because they are relatively small in volume, the two companies were forced to look to international markets as well.

The truck industry is much less international than the car industry, with big players such as Mercedes and MAN in Germany, Iveco in Italy and Renault in France relying principally on domestic markets. In the US, the same applies, with specifications for trucks differing significantly from Europe. To break into such markets, therefore, Scania and Volvo, already fighting each other at home, had if anything to be more competitive than in their domestic market. In cars, by contrast, Saab and Volvo were operating in the premium market where benchmark Japanese producers were barely present until recently.

"Scania and Volvo have been more exposed to competitive pressure than other European truck companies and their exposure has helped drive them to develop best practice production techniques," wrote McKinsey. "In cars, German and Swedish producers fell behind the Japanese because of a lack of exposure to them."

The "best practice" techniques which Scania and Volvo developed were modular production systems.

Essentially, this means each truck is built on a building block principle with maximisation of standard parts and components across a range of vehicles. But the process is not as simple as it sounds because, much more than in the car industry, there is strong emphasis in heavy trucks on customisation of each vehicle supplied.

Reflective mood: Leif Ostling, chief executive, believes Scania's focus on the heavy truck segment has paid off

"We have to supply a specific truck to a customer's specific needs," says Kaj Holmelius, Scania's head of chassis development and production, gesturing to the bare steel truck frames rolling on to the start of the production line for the new 4-series in Södertälje. "Each of these is for a specific order and almost every one will be different in some way when they come off the end of the line. But at the same time we want to get as large volumes as possible for individual components."

It is cracking this apparent paradox between customisation of the final product and standardisation of components that Scania has been most effective at achieving. The McKinsey study showed the number of components used in building a Scania truck in 1994 was 20,000 – compared with 25,000 at Volvo and 40,000 at Mercedes.

The new 4-series truck will not breach this record, Ostling says. In fact, he says, the number of parts in the truck will be about 10 per cent fewer than in the old models. Yet the number of different specifications Scania can offer has risen dramatically over the past 30 years from about 100 basic models to 300 in the current series. Scania says the 4-series will offer even greater flexibility of specification. "In theory, the combinations are such that we could produce 2bn trucks, all slightly different," he says.

He says the key to achieving this has been Scania's policy of retaining in-house production of all the main components: frames, axle systems, engines (including an all-new 12-litre engine for the 4-series), gearboxes, transmissions and cabs are all made by Scania. This allows the company to maximise integration of design, development and production – and reduce the number of components required.

"You could never do that if you were buying engines and gearboxes and other major parts from outside," says Holmelius.

It also delivers a virtuous circle of efficiencies as fewer parts mean lower development costs, lower manufacturing costs and lower distribution costs. "With a good modular system, you get savings all along the line," says Ostling.

While Scania has demonstrably exploited its prowess in production to a greater extent than its rivals, it cannot afford to rest on its laurels. Competition is getting stronger, not weaker, as the truck industry becomes more international. If Scania needed any reminder of this it has been provided by its old rival Volvo, which since it backed out of a merger with Renault two years ago has released large funds for deeper investment in its truck business.

Volvo launched its new FH-series of heavy trucks in 1993 as the recession was ending and its glowing success has pointed up the lack of a new product at Scania until this month. Mercedes is also due to launch a new truck next year. Although Scania is the world's most profitable truck maker, it is only the fifth largest by volume. This year it has run into capacity ceilings, almost certainly losing it the opportunity to entrench further its market-leading position in the fast-growing markets of Brazil and Argentina.

Scania has also been cautious in exploring new markets where its rivals are active. Unlike Volvo, it has stayed out of the big North American market and it is treading warily in China. It has not ventured into the medium or light truck sectors – which Volvo now intends to enter and which are covered by other European producers. Meanwhile, one significant Scania investment in a new production facility in Mexico opened at the beginning of the year just as the financial crash occured there. Its mention evokes a pained grimace from Ostling.

But he is far from defensive about Scania's strategy. The company is convinced its historic concentration on the heavy truck segment, in parallel with its belief in the need for full control over all its key operations, is the right one for the future. "I have no intention of deviating from our path," Ostling says.

He has no plans to enter the North American market because of the very different truck specifications there – and lower margins. The alternative of acquisition is counter to Scania's preferred way of tightly managed organic growth. In China, where Ostling does see large long-term growth, prevailing rules barring foreign producers from having full majority control of a local vehicle manufacturing operation go against the Scania grain.

Likewise, Scania will not expand into lighter truck segments because it would dilute the efficiencies it has wrung out of its modular system. The intention is to achieve growth chiefly in emerging markets in central and eastern Europe and in the Pacific region. "We will stick to the heavy end. We see enough growth in that sector to develop the company fully."

This attitude typifies the self-confident, self-contained culture that has prevailed at Scania for most of its 100-year history and which survived intact throughout the 25 years it was a part of Saab-Scania. Ostling is only the sixth chief executive since 1935 and three-quarters of his top management team have made their careers at Scania.

The planned launch on to the stock market will expose them to much greater outside scrutiny than they have been accustomed to recently and that could provoke greater questioning of the company's strategies. But the record to date is sufficient to impress most analysts – and there is little mood inside the company to alter course. Says Ostling: "I don't think this organisation is arrogant, but it is stubborn and it has a proud heritage. It will stick to what it has to do."

**Sweden's Economic Performance, McKinsey Global Institute, Washington DC.*

Announcing a new series: Mastering Management

An unprecedented joint venture between the Financial Times and three leading international business schools will bear fruit next week with the launch of a 20-part series called Mastering Management.

Starting on Friday October 27, the UK edition of the FT will include a weekly supplement introducing readers to the main concepts of modern management, exploring the latest thinking in each area, and examining best practice in a range of international companies. Non-UK readers will be invited to take out subscriptions to the series.

Mastering Management, loosely based on the core curriculum of a typical Master of Business Administration (MBA) course, has been written by more than 50 professors and other academics at the International Institute for Management Development (IMD) in Switzerland, London Business School and The Wharton School of the University of Pennsylvania in the US.

The FT hopes the series will make an important contribution to business education, disseminating management theory, practice and ideas to a far wider range of people than currently attend MBA programmes and the sort of short management courses popular with executives in mid career.

The FT's "course" – comprising 19 subject "modules" on everything from finance, operations and marketing to ethics, leadership and organisational behaviour, plus a review of the current state and future of general management – has been designed so that readers can build up an overall picture as the series proceeds.

Each issue will carry articles on at least three subject areas.

The academic study of management is still considered esoteric, or at worst irrelevant, by some people. Mastering Management, however, is based on the premise that the academic approach has much real relevance for practising managers. Business schools and other similar institutions can only offer up a mirror to "real life" business; their best teaching is based on research within companies, not ivory tower ruminating.

The writers who have contributed to Mastering Management were invited to write about the parts of the subject they consider to be most important, as well as what interests them. The result is a stimulating mix of basic, pedagogical material and "blue sky" thinking.

With this in mind we are keen to involve readers as the series proceeds. Most of tha articles have been prepared in advance but in some issues we will be leaving one half page open for reader responses and will be awarding a bottle of pink champagne for the letter of the week.

There will also be a weekly quiz – including the sort of questions which business schools might include in their entry tests – with prizes.

A fuller explanation of Mastering Management – and a user's guide – will appear on the Management page on Wednesday October 25.

Fast Track will resume next week.

Prank letters – polite replies please

LUCY KELLAWAY

Not long ago, Procter & Gamble was sent a letter by a customer complaining that Old Spice deodorant was having a strange effect on him. Each application was giving him a thrilling buzz, so much so that he sometimes applied the deodorant 20 times a day. Five weeks later the company wrote back, suggesting that he should raise the matter with his doctor.

At about the same time Hertz received a tragic letter from a man who had accidentally left his mother behind in a hire car. At first, Hertz did nothing, but after a second letter from the customer it replied with a request for extra information, and a warning that tha company could accept no liability for mislaid personal property.

The "customers" in question were James and Stuart Wade, US-born brothers who have spent several years sending prank letters to corporations, and have now turned their correspondence into a book*. On the face of it theirs would seem a pointless, not to say puerile, exercise. Yet the replies say a good deal about the companies.

The authors group the companies into four categories: those that did not reply at all, those that sent back standard letters, those that were taken in by the pranks and wrote genuine solicitous replies, and those tiny few that recognised the joke and responded in kind. This last group, say the authors, were the best communicators, as their letters made their organisation seem human and approachable.

This strikes me as the wrong conclusion to have drawn. It is surely a better strategy to risk looking foolish by falling into the occasional trap than offend a customer by making a joke out of their request.

I give top marks to those companies that responded promptly and with generosity. Heineken replied within a week to a suggestion that it make its beer bottles out of pretzels, offering a small souvenir and a gentle explanation that pretzels were not a suitable material for bottles containing liquid substances.

If companies do not have a sense of humour, that is exactly as it should be. The same is true of finance directors. My image of the typical finance director is of a miserable person; but far from being a disadvantage, this is part of the job. However, it seems my view is out of date. Last week I scanned the appointments column in the FT and was alarmed to see that companies searching for finance directors now specify that candidates must be able to "laugh and enjoy themselves".

As a recruiting tool this is of doubtful merit, as all candidates consider themselves able to laugh. I assume that the purpose is to send a message to prospective employees that the job will be great fun. But if I were a budding finance director I would neither be in search of laughs, nor would I expect to find them in a company thet prosaically decared itself to be full of them.

"REDUCED PROSPECTS OF PROMOTION THREATEN EMPLOYEE MOTIVATION IN DELAYERED BUSINESS STRUCTURES", says the headline of a recent press release from Roffey Park. The management institute has reached this conclusion after research in the public and private sectors.

The only surprising thing is that this finding should be deemed surprising: it seems perfectly obvious that if you knock down the career ladder people are frustrated that they are no longer able to climb it.

Yet flat structures have become so much a part of modern corporate life that it is heresy to suggest that they have unwanted side-effects. Of course, Roffey Park does not go that far. Instead it argues that the problem is more with the individuals than with the flat structures per se. "Employees who are hooked on the idea of being promoted refuse to see lateral progression as anything but demotivating," they say. By contrast, employees who thrive in flatter structures are "self-empowered individuals motivated by teamwork and developing broader skills rather than simply achieving conventional status". It sounds good but I cannot recall ever meeting such a person.

If there is one area more ridden with jargon than management consultancy it is technology. So when the two get together the result can be special. Hence the Holonic Enterprise. This is a new concept developed by the Business Engineering Partnership – a group of consultants which have combined forces to take on the big consultancy firms. A holon, we are told, is the different service provided by each company in the group. "By combining the core competencies of many individual holons within the [holonic] network, each virtual company is more powerful and flexible than the participating members alone," says the explanatory letter. If I did not know better, I might suspect that the spoof letter writers had started writing to journalists.

**Drop Us A Line . . . Sucker! Published by Carroll & Graf, New York.*

BUSINESS EDUCATION

In the swing

Women management students at the University of Pittsburgh can now outshine their male counterparts in more than just macro-economics and statistics. They are invading that most masculine of preserves – the golf course.

This autumn 35 students on the one-year MBA course at the Katz Graduate School of Business have enrolled in the all-women golf club – the "Sisters of Swing". Many participants now view golf as an essential business skill, says Joan Craig, director of placement and career services at Katz.

Craig believes many women lack the confidence to play in a business environment while men are less concerned. "Many of the men who play in a business situation aren't that good either." Although Craig is cynical about whether business deals are struck on the golf course, she does believe that the sport can help business relationships. "The relationships are certainly built there. You begin to establish a sense of trust and friendship."

DB

Schools are identifying a new fund of talent, says **Della Bradshaw**

Flying in from the cold

Almost six years after the fall of the Berlin Wall and the subsequent demand for western-style business acumen in the former eastern bloc, seven students from the region are being financed by western banks to study management in European business schools.

The students are enrolled at Insead (European Institute of Business Administration) in Fontainebleau, France, for the school's one-year MBA programme. They are the first of 100 students who will benefit from the scheme.

Jan Pudil, a Czech student at Insead, believes the acquired business know-how is just one of the advantages of studying in France. "There is a very large network of alumni – the old boy network. It opens the door for you," he says.

Pudil acknowledges that his future career in Prague will be with international companies, not local ones. "Czech companies do not appreciate the value of the MBA. The demand for a top-quality MBA is just not there in the local companies."

The more highly paid employment could also prove necessary for students to pay back their loans. These, jointly financed by the Dutch bank ABN Amro and the European Bank for Reconstruction and Development (EBRD), are novel in that they require the students to put up no collateral and give them 12 years to repay the money.

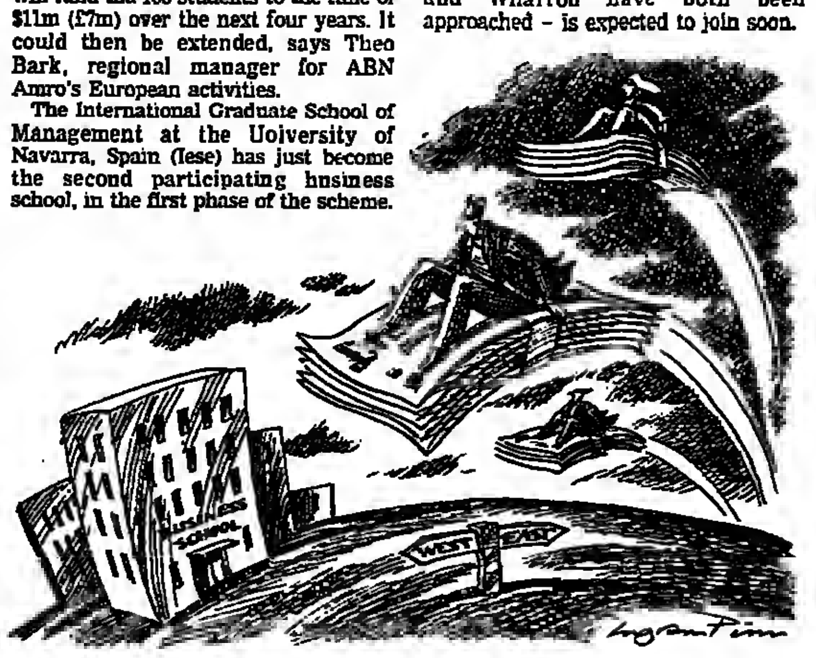
To date only a trickle of eastern European students have crossed the geographical and ideological boundaries to study in western business schools – almost entirely due to lack of funds. Herwig Langohr, Insead's former associate dean, MBA programme, reckons that there are only 50 or 60 such students now enrolled in the top 10 US and European business schools.

The ABN Amro and EBRD scheme will fund the 100 students to the tune of $11m (£7m) over the next four years. It could then be extended, says Theo Bark, regional manager for ABN Amro's European activities.

The International Graduate School of Management at the University of Navarra, Spain (Iese) has just become the second participating business school, in the first phase of the scheme.

Iese, which already runs executive education programmes for eastern European students, will begin marketing its programme from November. Eduardo Martinez Abascal, Iese's director of the MBA programme, is hoping to attract up to 30 eastern European students a year to the school.

A third school in the US – Harvard and Wharton have both been approached – is expected to join soon.



One of the most obvious problems for the students is a lack of understanding of western financial practices. Martinez recalls the time, for example, he held a seminar for the privatisation ministry of the Bulgarian government. The executives had difficulty understanding an income statement.

To instill the required "western" expertise the two-year bilingual Iese programme requires three months' work experience in the middle of the course. However, Insead requires its students to complete their work experience before they start studying.

To receive funding, students need first to be awarded a place at one of the participating schools – not an easy task. Langohr believes the entry requirements at Insead – fluent English and French as well as a high score in the G-Mat (graduate management admissions test) – make it even more difficult for eastern European students to qualify than their western peers. "The ones that succeed are outstanding, absolutely outstanding."

The banks are also in discussion with business schools in eastern Europe with a view to setting up programmes with local business schools, possibly in conjunction with a local bank, Bark says. However, Pudil believes the present route is preferable, if considerably more expensive. "To benefit to the full you really need a western-style education which cannot be given in the Czech republic. The tradition of business education there does not have deep roots."

NEWS FROM CAMPUS

Cape Town capers for MBA students

Vegetable sellers on the streets of Cape Town have been the unlikely recipients of the management expertise of MBA students at the UK's Cranfield School of Management.

The women wanted to sell their produce outside the local railway station, but were not allowed. Some of the students, who originally went to South Africa to watch the rugby world cup, negotiated on their behalf and obtained permission for the women to sell produce in defined areas of the station. Other projects undertaken included writing business plans, addressing marketing needs and arranging finance.

The expedition was so popular that an International Development Consultancy option has been added to the MBA course. One benefit, says Shai Vyakarnam, who will run the option, is that students will have to translate MBA-speak into street talk.

Cranfield: UK, (0)1234 751122.

● The University of South Africa has launched a two-year associate membership programme in treasury management. The course is an adaptation of that developed by the UK-based Association of Corporate Treasurers.

ACT: UK, (0)171 936 2354.

Designer MBAs hit the business world

In an attempt to promote the role of design in management circles, the University of Westminster has launched Europe's first MBA degree in design management. The part-time course will begin in February 1996 and is structured so that students in continental Europe can use "distance learning" packages.

The university is hosting an open evening on November 16.

Westminster University: UK, (0)171 911 5000.

Executive Centre director appointed

Manchester Business School has appointed Jeff Ramsbottom as director of executive education to head the newly formed Executive Centre, which will tailor courses, consultancy and research to clients' needs.

Ramsbottom was previously director of the school's Management Centre.

CONTRACTS & TENDERS

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Abbey National 7.25p
Abbey Natl 1st Cap Sb Step-up FRN '09 SwFr1923.13
Augusta Funding III Secd FR Bd '30 $32.32
Barclays Bank Barclays Ppty Index Certs '97 £1.59
Do Barclay Ppty Index Certs '98 £1.59
CESC Eqty Shs Rp3.50
Chester Asset Recs No.1 Asset Bkd FRN 2000 £1446.85
Chrysler $0.50
Commonwealth Bank Australia 11% Bd '01 A$110.0
Forte FRN '98 £1901.03
Gartmore 1.75p
Golden Hope Plants M$0.10
Golden Vale IR0.66p
Hibernian IR2.8p
Hydro-Quebec FRN Ser IN '99 $14.89
IMI 4.6p
JDC FRN '96 $341.26
Do FRN '97 $341.26
Kawasaki Heavy Inds 6% Nts '97 Y600000.0
Do 6.15% Nts '99 Y615000.0
Kyushu Elect Power 10.25% Bd '01 C$102.50
Mallett 1.1p
Minnesota Mining 6½% Nts Oct 15 '98 C$65.0
Morgan Sindall 5.625% Conv Cm Pf 2.8125p
Mori Seiki 5.65% Nts '96 Y565000.0
NatWest Bank 9% Non-Cum Pf Ser 'A' 4.5p
Do Non-Cum Dllr Pf Ser A $0.532
Do Non-Cum Dllr Pf Ser B $0.4375
Nikon 6% Bd '96 Y600000.0
Do 6.05% Bd '97 Y605000.0
Do 6.2% Bd '99 Y620000.0
Persimmon 3p
Quaker Oats $0.285
Sanwa Australia Fin Fxd/FRN '04 $3437.74
Sanwa Finance FRN July '04 $1595.66
Do Step-up FRN Oct '02 $797.83
SmithKline Beecham 3.2p
SmithKline Beecham/SmithKline Beckman Eqty Units $0.063872
State Bank NSW 11% Nts '95 A$110.0
Stewart & Wright 140p
Swansea 13¾% Rd '06 £6.875
Treasury IL 2½% '20 £2.2132

■ TOMORROW
Arlen 0.2p
Bear Stearns Cos FRN '30 $32.50
Brit-Borneo Petroleum Syndicate 2.667p
Colleagues 1p
Edinburgh Inc Tst 1p
Energie Beheer 9% Nts 1990 '95 $900.0
Finsbury Underwriting Inv Tst 1.1p
Fluor $0.15
Halifax Bldg Scty 8¾% Nts '97 $87.50
Heywood Williams 5p
Isle of Man Steam Packet 1.75p
Jasmine Tr B Secd FRN '03 Y1175416.0
Jermyn Inv 2p
Lon & Overseas Freighters $0.0025
Neepsend 1p
STB Finance Sb Fxd/FRN Tr A '03 $3437.50
St. Paul Cos $0.40
Stagecoach 3.65p
Ulster Television 10p

■ WEDNESDAY OCTOBER 18
Allied Lon Props 5¾% Conv Rd Pf 2.875p
Asahi Brew 7% Bd '95 Y700000.0
Avonmore Foods IR1.75p
Brad & Bingley Bldg Scty FRN '98 £175.13
Churchill China 3.7p
Conversion 9½% '05 £4.75
De Gruchy (A) 1.72p
Eng & Scottish Investors 0.65p
Forte FRN '96 £1941.22
GKN 8.75p
Japan Dev Bank 7% Bd '99 £70.0
Mitsui Intl Fxd/FRN '99 Y2700000.0
Nova Scotia (Province of) 11¾% Ln '19 £5.875
Vickers 2.4p

■ THURSDAY OCTOBER 19
Adscene 5p
Export-Import Bank Japan 10⅝% Bd '95 ECU106.25
Lonrho Finance FRN '97 $182.08
Nippon Tel & Tel 10¼% Nts '99 C$102.50
RJB Mining 5.5p
Serco 1.45p
Standard Chartered 3.25p
Telspec 1.8p
USDC Inv Tst 1.25p
Wells Fargo Sb FRN July '97 $156.53

■ FRIDAY OCTOBER 20
Abbey Natl Tsy Serv 7% Nts '97 $70.0
Do 11.5 % Nts '97 L575000.0
Birmingham Mid Bldg Scty FRN '98 £175.30
Boddington 3.42p
Budgens 6% Conv Un Ln '03 £2.50
Bumfield 1.3p
Capital Corp 2.125p
Dixons Finance FRN '97 $3621.87
EBC Grp 1p
Eng & Caledonian Inv 2.75p
FBD Hldgs IR2.9645p
For & Colonial High Inc Tst 1.6p
GT Chile Gwth Fd $0.60
Gen Motors Acc Nts Mar 20 2000 £41.67
Hanson 10⅜% Bd '97 £103.75
Heiton IR1.7p
Home Counties News 2.5p
Islington Corp 11.9% Rd '17 £5.95
Kobe 9½% Bd '04 £95.0
M & G Inc Inv Tst Inc Shs 1.05p
Do Geared Ord Units 1.05p
Do Package Units 1.05p
Mid Wynd Intl Inv Tst 3.9p
National Express 3p
Northern Rock Bldg Scty FRN '96 £176.44
Perkins Foods 1.75p
Richardsons Westgarth 1.4p
Smith (WH) 10.4p
Throgmorton 1000 Smallest Cos Tst 2.5p
Tokyo Tatemono 6.1% Bd '98 Y610000.0
Do 8.15% Bd '99 Y615000.0
United Friendly 7.3p
Do 'B' (Res Vtg) Shs 7.3p
US Smllr Cos Inv Tst 0.5p
Wholesale Fittings 8.47p
Yokohama Finance Sb FRN '05 Y838750.0

■ SATURDAY OCTOBER 21
Ericsson (Tele) 7.675% Bd '96 $393.75
TSB Grp 10⅝% Sb Ln '08 5.3125p
Treasury IL 4⅝% '04 £2.3697
Wilson (Connolly) 1.36p

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Linx Printing Technologies, The Dolphin Hotel, St. Ives, Huntingdon, Cambridgeshire, 10.30
Mid Wynd International Investment Trust, 1, Rutland Court, Edinburgh, 11.00
US Smaller Companies Investment Trust, 14, Melville Street, Edinburgh, 12.15
BOARD MEETINGS:
Finals:
Gartmore Smlr Cos
Highland Distilleries
Interims:
Beradin
Farnell Electronics
Olives Property
Padang Senang
Singapore Para Rubber

■ TOMORROW
COMPANY MEETINGS:
Eaglet Investment Trust, The Chamber of Shipping, 12, Carthusian Street, E.C., 10.30
Finelist Group, Stratford Moat House, Bridgefoot, Stratford-upon-Avon, 12.00
Finsbury Underwriting Trust, Great Eastern Hotel, Liverpool Street, E.C., 11.30
Select Industries, Euston Plaza Hotel, 17-18, Upper Woburn Place, W.C., 11.00
Surrey Free Inns, The Litten Tree, Guildford Road, Woking, Surrey, 11.00
Welsh Industrial Investment Trust, 36, Elder Street, E., 11.00
BOARD MEETINGS:
Finals:
Hong Kong Invs
Paterson Zochonis
Interims:
Boot (Henry)
El Oro Mining
Exploration Co
Newport
Tie rack

■ WEDNESDAY OCTOBER 18
COMPANY MEETINGS:
BZW Convertible Trust, The Brewery, Chiswell Street, E.C., 12.00
Fleming Overseas Investment Trust, Chartered Accountants Hall, Moorgate Place, E.C., 12.00
Foreign & Colonial High Income Trust, Exchange House, Primrose Street, E.C., 2.30
Smith (WH), Plaisterers Hall, Number One, London Wall, E.C., 11.30
Tottenham Hotspur, 748, High Road, Tottenham, N., 2.30
BOARD MEETINGS:
Finals:
Bridport-Gundry
DFS Furniture
Interims:
BDA Hldgs
Berry, Birch & Noble
Card Clear
Havelock Europa
Hoare Govett Smlr
Hoare Govett 1000 Index
Town Centre Secs

■ THURSDAY OCTOBER 19
COMPANY MEETINGS:
Elbief, Prince of Wales Lane, Birmingham, 11.00
Gold Greenlees Trott, 82, Dean Street, W., 11.00
Haynes Publishing, Haynes Motor Museum, Sparkford, Yeovil, Somerset, 1.00
Headway, Carmelite, 50, Victoria Embankment, Blackfriars, E.C., 10.30
Pacific Media, The Lanesborough Hotel, Lanesborough Place, S.W., 11.30
BOARD MEETINGS:
Finals:
Gleeson (MJ)
Wescol
Interims:
Airflow Streamlines
Aminex
Ferguson Intl
Ramco Energy

■ FRIDAY OCTOBER 20
COMPANY MEETINGS:
Armour Trust, 100, Liverpool Street, E.C., 10.00
Black (Peter) Holdings, The Brewery, Chiswell Street, E.C., 11.00
Compel Group, Exchange House, Primrose Street, Broadgate, E.C., 11.30
Second Alliance Trust, Meadow House, 64, Reform Street, Dundee, 12.30
BOARD MEETINGS:
Finals:
Ramus
Interims:
Allda
Audax Properties
Richards
Secs Tst of Scotland
Value & Inc Tst
Warnford Inv

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 15.10.95 — Pool purchase price £/MWh	Final Prices for Trading on 17.09.95 — Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.97	8.98	8.98
0100	8.09	8.97	8.97
0130	8.09	8.95	8.95
0200	8.10	8.96	8.96
0230	8.10	8.96	8.96
0300	8.11	8.96	8.96
0330	8.17	8.12	8.12
0400	8.11	8.12	8.12
0430	8.10	8.12	8.12
0500	7.15	8.12	8.12
0530	7.16	8.96	8.96
0600	7.16	8.97	8.97
0630	7.15	8.96	10.64
0700	7.99	8.96	10.64
0730	7.99	8.96	10.64
0800	8.12	13.40	15.08
0830	8.93	13.38	15.06
0900	8.92	13.58	15.26
0930	12.52	14.14	15.82
1000	13.50	14.29	15.97
1030	14.06	14.89	16.57
1100	15.58	16.15	17.83
1130	15.58	22.75	24.43
1200	15.58	22.75	24.43
1230	35.63	22.75	24.43
1300	26.56	22.75	24.43
1330	15.02	14.29	15.97
1400	15.02	14.29	15.97
1430	13.86	13.58	15.26
1500	13.50	14.01	15.68
1530	8.97	9.02	9.02
1600	8.95	9.00	9.00
1630	8.95	9.00	9.00
1700	13.22	9.00	9.00
1730	13.22	9.02	9.02
1800	18.95	14.01	15.68
1830	14.75	13.58	15.26
1900	27.44	14.01	15.68
1930	34.41	18.53	20.21
2000	27.76	24.57	26.24
2030	15.79	24.57	26.24
2100	15.13	24.57	26.24
2130	15.13	22.27	23.94
2200	14.76	18.53	20.21
2230	13.50	14.76	16.44
2300	13.65	14.08	16.75
2330	12.52	14.01	15.68
2400	8.97	13.40	15.68

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction and sometimes major alterations until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, ...

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 16.10.95 — Pool purchase price £/MWh	Final Prices for Trading on 19.09.95 — Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.12	8.96	8.96
0100	8.11	8.97	8.97
0130	8.10	8.97	8.97
0200	8.12	8.97	8.97
0230	8.12	8.97	8.97
0300	8.12	8.97	8.97
0330	8.12	8.97	8.97
0400	8.12	8.97	8.97
0430	8.12	8.97	8.97
0500	8.11	8.97	8.97
0530	8.09	8.12	8.12
0600	8.10	8.12	8.12
0630	9.11	8.94	8.94
0700	9.15	9.10	9.10
0730	16.33	16.53	18.00
0800	17.41	16.95	18.43
0830	37.62	19.76	21.37
0900	37.64	20.37	22.16
0930	17.44	20.26	22.28
1000	17.45	31.76	34.04
1030	17.46	32.76	35.29
1100	17.46	33.75	36.54
1130	17.47	38.67	41.79
1200	17.48	39.46	42.77
1230	40.77	41.26	44.41
1300	32.95	39.92	42.74
1330	17.39	22.27	24.81
1400	18.77	21.16	23.20
1430	17.12	30.16	32.00
1500	17.12	29.88	31.61
1530	17.12	17.97	19.67
1600	17.13	18.37	20.21
1630	17.15	20.08	22.20
1700	17.19	26.72	29.02
1730	17.19	26.30	28.46
1800	17.23	25.26	27.13
1830	17.93	18.36	18.95
1900	38.77	10.08	10.08
1930	38.75	38.29	40.34
2000	29.57	38.62	40.71
2030	22.25	24.51	26.37
2100	18.78	18.68	20.33
2130	18.75	18.30	19.84
2200	16.32	18.96	18.45
2230	15.86	16.61	18.07
2300	15.78	16.39	17.86
2330	13.51	13.93	15.39
2400	9.02	9.00	9.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction and sometimes major alterations until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their ...

CONFERENCES & EXHIBITIONS

NOVEMBER 23
Attacking International Trusts
In association with STEP
This conference will cover - Grounds for Attack - Jurisdiction and forum - Information - The problem of 'Blowing Hot and Cold' - Tactics for Claimants - Tactics for Trustees - Compromise and Settlement - Case Study.
Contact International Professional Conferences 0161 445 8623
LONDON

NOVEMBER 25 & 26
The Business of Consultancy
Fifteen speakers focusing on achieving better consultancy business. Topics include: the transition from large company to being a consultant; competing and working with the biggest & best in consultancy; entrepreneurship skills; how clients choose consultants. £350 + VAT
Contact: Lindsey Woods
Tel: 01904 411699 Fax: 01904 411688
St John's College, OXFORD

NOVEMBER 28
Strategic Alliances in Marketing
Building strategic marketing partnership can leverage both parties to greater visibility and increased sales. Speakers from Simons Palmer, British Airways, Hertz, The Swatch/BT Pager, Kodak, Elf Oil, Royal Mail, Sainsburys: The Magazine, MCA, PepsiCo, EMI Records, Delaney Fletcher Bozell and The Red Cross HelpAd. Presented by The CIM CLB.
Call Janice Kohat at Ccotary Communications at 0171 838 0008.
LONDON

NOVEMBER 29
IT innovation in financial services marketing
The explosion in the direct marketing of financial services has focused attention on the value of technology in developing and maintaining a market share. Through practical case studies this conference addresses the issues which companies must consider in selecting and using technology for marketing.
Contact: ELAN CONFERENCES
Tel: 01255 330312 Fax: 01225 330305
LONDON

NOVEMBER 29
Growth through Innovation and New Ventures
A conference about re-inventing retail financial services. Delegates will address the transformation agenda; explore innovation issues; and, learn from those who are re-defining the competitive environment. Case study inputs from top executives at ShareLink, Mondex, Ford, Prizzell and Piper.
Contact: Joanna Harding, Millennium Group
Tel: 01962 866843 Fax: 01962 842388
LONDON

NOVEMBER 30 - DECEMBER 1
Selling Skills for Private Bankers
● Client Profile Criteria, Information Gathering, Product Knowledge. ● Needs Identification as the Basis for Selling; ● Inter-personal Skills, Non-Verbal Communication, Telephone Techniques, Listening; ● Planning the Sales Initiative, Preparing for Meetings; ● Selling Skills - Presentation, Buying Signals, Handling Objections, Introducing Specialists; ● Negotiating and Closing the Sale; ● Customer Care and Quality, Service Differentiation, Relationship Management. 2 Days. £395. Contact: Fairplace
Tel: 0171 329 0595 Fax: 0171 329 3853
LONDON

NOVEMBER 30
EVA - An integrated management framework for creating and enhancing shareholder value
An intensive executive seminar on the principles and application of Economic Value Added, led by two foremost authorities on shareholder value, Joel Stern & G Bennet, of Stern Stewart and Co.
Contact: Business Intelligence
Tel: 0181 543 6565 Fax: 0181 544 9020
LONDON

DECEMBER 1
Employee Fraud Conference
Security Gazette, Control Risks Group and the FT Fraud Report, invite you to a conference that will help you limit your exposure to employee fraud. Speakers include Stephen Pollard (Nick Leeson's, solicitor) and the real life 'Cracker.' Ring or fax the number below and ask for an information pack.
Contact: Karen Lott
Tel: 0181 277 5241 Fax: 0181 277 5242
LONDON

DECEMBER 4-6
Controlling Lendings
The skills and techniques essential to managing lending risks. If you can identify problems early then action can be taken to avoid or reduce losses. • Analysing Management Figures and Projections. Comparisons to Budgets and Covenants • Review of Risks, Management Competence, Debt Servicing • Sensitivity Analysis. Benchmarking; Key Ratios. Using Graphs and Charts • The Danger Signs. Defaults. What to do and when 3 days. £525
Contact: Fairplace
Tel: 0171 329 0595 Fax: 0171 329 3853
LONDON

DECEMBER 4-8
Object Developments '95
A multi-event conference presenting the latest developments on all fields of Object Oriented Technology, co-sponsored by the BCS and its OOPS group. The intended audience includes IT decision-makers, software developers and database engineers. OO subjects covered: Databases, Reuse, Tools and Technologies, Data Management, Client/Server, Testing.
Contact UNICOM Seminars,
01895 256 484, Fax: 01895 813 095
LONDON

DECEMBER 5-6
Pay, Reward and Performance Management: New compensation and motivation strategies for the flatter organisation
Delayering, downsizing and re-engineering have led to flatter, team-based organisations. Pay and appraisal systems must change to reflect this new reality, it presents practical strategies for designing and implementing these systems to meet current business objectives.
Contact: Business Intelligence
Tel: 0181 543 6565 Fax: 0181 544 9020
LONDON

DECEMBER 5 - 6
Effective Measurement & Management of IT Costs & Benefits
How to ensure maximum benefit from your investment in information systems. Provides a thorough analysis of the major cost reduction strategies, assessment of the most effective cost benefit analysis tools and guidelines on optimising your organisation's information resources.
Contact Gareth Jones at Monadnock
Tel: 0181-871 2546 Fax: 0181-871 3866
LONDON

DECEMBER 7 & 8
Understanding the World of Banking
For secretaries, IT and other support staff. • The Banking System - History, Practices, Structure, Regulation • Products & Services - Lending, Treasury, Money Transmission, Investment, FX, Corporate Finance • Banks as Businesses • Frequently used Banking and Financial Terms. 2 Days £395.
Contact: Fairplace
Tel: 0171 329 0595 Fax: 0171 329 3853
LONDON

JANUARY 30
The outlook for the UK electricity market
This one day seminar will explore the key issues shaping the electricity market over the next decade. Themes such as 1998, generation, wholesale price developments, transmission, distribution and supply will be considered.
Contact: Caroline Summers, Power Ink Ltd
Tel: 01730 265095 Fax: 01730 260044
LONDON

INTERNATIONAL

OCTOBER 24
Bankruptcy Investing Seminar
The NY Society of Security Analysts seminar will review legal processes, and ways to stay informed during restructuring. Speakers will discuss the historical returns on defaulted securities and will share analytical techniques and war stories.
Contact: NYSSA
Tel: 212-912-9249 Fax: 212-912-9310
Internet: http://www.nyssa.org
NEW YORK

OCTOBER 25
Tax Issues Affecting Private Clients
The NY Society of Security Analysts meeting will investigate how investors are dealing with after-tax performance on private clients taxable accounts. Speakers will discuss a variety of concerns dealing with their clients wealth & investment performances.
Contact: NYSSA
Tel: 212-912-9249 Fax: 212-912-9310
Internet: http://www.nyssa.org
NEW YORK

NOVEMBER 6
The 1996 Coal Market
Sheraton Sydney Airport
This one day seminar run by McCloskey Coal Information Services will examine how the coking and steam coal markets over the next 18 months. Speakers will include union leader John Maitland, Walter Schrage of Consol and Coal & Allied Ian McPhee.
Contact David Morris on 44 (0) 1730 265095
SYDNEY, AUSTRALIA

NOVEMBER 13-14
EPPA European Paging Conference on Advanced Messaging
The European Public Paging Association (EPPA) invites executives from paging operators, manufacturers and service providers to its annual conference. Speakers will cover a wide range of Advanced Messaging topics.
Contact: Monika Roner
Tel: +45 3337 7123 Fax: +45 3337 7148
NICE

NOVEMBER 13-15
Attracting Global Investments Into The Russian Federation & The East - West One To One Business Meetings
International conference focusing on Investment Prospects in Russia, Russian Securities, State & Private Investments. Elite speakers from UNIDO, Morgan Grenfell, Chase Manhattan Bank, Bank of New York, Deutsche Bank Research. Sponsored by Ernst & Young, Menatep Bank, Stantor, Swiss Board for Trade Promotion, Delta.
Contact: Dipa Patel, Business Communications International Ltd
Tel: +44 (0) 171 513-5077
Fax: +44 (0) 171 405 4957
GENEVA, SWITZERLAND

NOVEMBER 14-16
1995 Global Convention on Retail Financial Services
A three-day convention allowing delegates to benchmark their institutions and their strategies against the best in the industry. Conferences and workshops will focus on retail banking; branch network management; IT; affluent banking; mutual funds; bank marketing; direct & interactive banking; insurance & pensions.
Contact: Elaine Fitzsimons, Lafferty Conferences, Dublin
Tel: (+353-1) 671 8022 Fax: (+353-1) 671 3594
BERLIN

NOVEMBER 20-21
First International Biscuit Congress
A must for senior biscuit executives. Programme includes the snacking culture, consumer trends, retailers' requirements, marketing strategy in Europe, North America, South East Asia. Speakers represent manufacturers, supermarkets, equipment suppliers, research institutes.
Contact: Liz Morris, Emap
Tel: (+44) 0181 277 5301
Fax: (+44) 0181 277 5302
AMSTERDAM

NOVEMBER 24
International Accounting Standards
Friday 24 November, Intercontinental Hotel, Geneva
Friday 8 December, Intercontinental Hotel, Berlin
This highly intensive one day course is designed to provide the most up to date comprehensive and practical review of IAS requirements including the 10 revised standards applicable to 31 December 1995 year end.
Contact Philippa Hartnall, IBC
Tel: 0171 - 637 4383 Fax: 0171 631 3214
GENEVA & BERLIN

NOVEMBER 30
Management v Accountability Corporate Governance in Europe
IBC UK Conferences Ltd, Price Waterhouse, CEPS
Be briefed on the governance requirements in a pan-European: Examine the approach the Commission will be planning on Corporate Governance; Gain updated information on the current developments made on the harmonisation of European accounting.
Contact Philippa Hartnall, IBC
Tel: 0171 - 637 4383 Fax: 0171 631 3214
BELGIUM

MARCH 27 - 29
EFT EXPO EAST
World Trade Center. First of three major expositions on electronic funds transfer technology and applications in all industry sectors. ATM / POS equipment; smart cards; credit; debit; ID cards; applications software; hardware; telecommunications. Other 1996 venues; San Francisco, Chicago. Attendance: 6,000+ per event.
Contact: UniFair, Inc., +1-216-464-9200; fax: +1-216-464-6601
BOSTON, USA

BUSINESS TRAVEL

Beirut flights row

Two UK airlines, British Airways and a new UK carrier, British Mediterranean Airways, are engaged in a war of words over who should be allowed to fly to Beirut – a destination no one would have regarded as desirable only a few years ago, Michael Skapinker **writes.**

The aviation treaty between the UK and Lebanon allows for only seven flights a week. British Mediterranean, which says it took the initiative to resume flights to Lebanon after the civil war, has been allocated five of those frequencies and BA has been allocated the remaining two.

BA is objecting to a decision by the UK authorities to grant the next two frequencies to become available to British Mediterranean, allowing it to fly to Beirut daily.

The smaller carrier says BA is using its "massive financial and marketing muscle" to prevent British Mediterranean's expansion.

British Mediterranean has applied to fly to Saudi Arabia and to Kuwait from next year.

Kuala Lumpur costs

Kuala Lumpur was once regarded as a cheap location in Asia, **Kieran Cooke writes.**

Not any more: prices in the Malaysian capital are still below those of Hong Kong and Singapore, but the cost of living could still be a shock to those coming from the US or Europe.

A handy booklet produced by the Trade Ministry and the Malaysian International chamber of commerce shows an expatriate who wishes to live in a three-bedroomed bungalow with a garden could pay as much as M$20,000 (£4,988) a month for the privilege.

However, less grand accommodation is considerably cheaper – a condominium apartment with three bedrooms will cost about M$5,000 per month.

Educating children will eat into an expatriate's remuneration as schooling costs have also shot up: the registration fee at an international school is M$10,000, with annual fees starting at M$16,000 for kindergarten.

Hiring a maid will cost between M$500 and M$700 per month. Buying a decent car will cost the expatriate at least M$30,000.

Finally – the club, an essential part of tropical living. Membership of a club can range from M$20,000 to M$100,000.

New Prestwick routes

Scheduled flights begin next Thursday between Prestwick airport in Ayrshire, Scotland, and London Stansted – a significant development for the Scottish airport which mainly caters for charter flights and air freight, James Buxton writes. **Ryanair UK, part of Irish carrier Ryanair, will provide the four daily flights.**

Return fares are between £55 and £99, lower than British Airways and British Midland from Glasgow. Prestwick is 44 minutes from Glasgow by train.

Rivals win awards

British Airways and Richard Branson's Virgin Atlantic have both won awards – BA has taken the best overall airline prize in the Business Traveller magazine awards, while Virgin has been voted the best carrier for business class travel.

Business Traveller readers considered Heathrow had the best incoming passport control, customs clearance and general shopping.

Worst luggage retrieval, and also worst for personal safety, was New York's John F Kennedy airport.

Sheraton was voted the best worldwide hotel chain while the Oriental in Bangkok took the best individual hotel award.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	23	23	22	21	21
Hong Kong	26	27	26	26	26
London	17	20	17	17	16
Frankfurt	16	19	18	17	13
New York	15	14	16	18	19
L. Angeles	24	24	27	28	29
Milan	19	20	16	20	20
Paris	18	20	19	17	15
Zurich	15	18	16	16	12

Maximum temperatures in Celsius

Information supplied by Meteo Consult of the Netherlands

The right preparation – such as knowing what to expect of a local cab – can save a trip from disaster

When the taxi driver is king

This is your most vulnerable moment. You emerge from an airport terminal, blinking in the sunlight and oppressive heat and noise of an unfamiliar city, suitcases clutched in sweaty palms.

Dozens of men crowd around, shouting and grabbing your clothes. Hiding your anxiety, you point confidently at the least ruffianly of the shouters; you nod. He seizes your cases and trots to a distant corner of what seems to be a car park while you scurry along behind. Triumphant, the tout reaches an ancient, unmarked vehicle, locks your cases in the boot, and disappears, having received a few coins from a particularly rough-looking character who turns out to be the driver. This is your third-world taxi.

You wish you had agreed a price for the journey in advance. You wish you had some small change in local currency. You wish you knew where you were going. Things sometimes get worse: the taxi crashes; or it runs over a pedestrian and you – as a wealthy foreigner – are immediately found liable by enraged passers-by; or the driver is arrested at a roadblock and frogmarched into the distance; or a war starts, or a coup d'etat. I even met someone who fell out of a moving taxi in Zambia when the door fell off en route from the airport.

A shock introduction to the taxis of tropical nations may be unavoidable, especially if your trips are planned at short notice and there is no company car or hotel bus to meet you at the airport. But there are ways of making taxi travel fun:

● Things to bring. In the congested cities of Asia – Bangkok, for example – take a book with you in the back seat; you may be there for hours with nothing to do but stare at other people's exhaust fumes. In hot countries, a bottle of water and a pair of pliers are useful; the water is for drinking, and the pliers for when there is no air-conditioning and the window handle is missing – you use the pliers to rotate the winder and open the window. Take cash in small denominations; few drivers admit to having change.

● Things to put up with. You may be able to persuade your driver to turn down the music, but you probably cannot convince him that chain-smoking cheroots is anti-social.

Nor can you make him believe that it would be better to fill up with petrol *before* picking up a customer. And it is just bad luck if you are not interested in English football and Eric Cantona; he is. As for the goat killed by your taxi, let the driver do the negotiating. You may end up paying, but he knows how little the goat is worth.

● Hire by the day. Whether in Phnom Penh or Lagos, a daily fee of perhaps $25 is money well spent if it takes you to all your meetings in comfort and safety and provides you with a translator, moneychanger, tourist guide and political adviser rolled into one. The trick is to find someone you like and stick with them; you can arrange to meet them on future trips as well.

When I first went to Phnom Penh, my driver (who had started driving two days earlier) had three minor accidents on the first day. But he soon learned to drive, was always on time and seemed very good at negotiating his way through roadblocks; he turned out to be a moonlighting policeman.

● Advance information. It helps to know roughly where you are going and to find out *in advance* whether you are expected to sit in the back or chummily in the front. Your driver may have arrived in the capital from his up-country village only last week and – like taxi drivers in New York or Tokyo – may give you a blank look when you tell him the address of your destination or hand him a map. Experienced taxi passengers in Jakarta and Mexico City carry bulky map books in case they get lost.

It also helps to know the approximate price of your journey; if there is a functioning meter, the sum it displays may have to be multiplied by 10 or more, depending on the level of hyper-inflation.

● Use your driver's knowledge. A cliché it may be, but don't be embarrassed to take advantage of taxi drivers' insights into politics, economics and life in general. The worst are bores. The best will understand not only the city's impenetrable one-way traffic system but also the implications of the latest cabinet reshuffle; some of them – in Ghana or Iraq, for instance – used to be ministers or senior civil servants themselves. But it is best to make bland comments yourself until you are certain that you are not dealing with a government informer or *agent provocateur*.

● Don't endure; enjoy. Soon the world will be horribly homogenised. In the meantime, enjoy the ageing, Soviet-made Volgas of Laos, the battered Peugeots of west Africa, the Chevrolets of Syria, the motorised tricycles of Kathmandu and the motorcycle taxis of Thailand – and consider yourself lucky: a few years ago, poverty and Marxism-Leninism decreed that there were no taxis at all to be had in such cities as Maputo (Mozambique) and Luanda (Angola). You had to hitchhike from the airport.

Victor Mallet

The game of hazard

You've just been robbed, your passport has gone and, worse still, so has your laptop which contained all your notes for that vital meeting. Was there anything you should have known about local dangers that could have prevented the robbery?

Perhaps you looked apprehensive, marking yourself out as a target. However, if you are British you probably were not deterred from taking the trip in the first place – no matter what the risks, according to Visa International.

The credit card issuer found in a survey of regular travellers that Britons are the least likely of seven nationalities to be deterred from a trip by risks. In contrast, 61 per cent of Swedes would prefer to stay at home.

"That comes as no surprise to me," says Richard Fenning of Control Risks, a UK security group. "We [the British] have a long history of trading internationally and English is a common language. For those reasons Britons see themselves as being able to handle themselves abroad."

The danger for travellers, however, is complacency. Just as you would not go to a meeting unprepared, neither should you jet off without some knowledge of local conditions.

But whose responsibility is it to find out the facts before heading off somewhere exotic? Most people are able to find out for themselves what local conditions will be. Of the regular travellers questioned by Visa, 79 per cent said they would take advice from colleagues.

However, they also believe that at least part of the responsibility lies with the company. Andrew Fletcher, chairman of the Business Travel Liaison Group, which represents UK corporate users of the travel industry, agrees. "An employee is a corporate ambassador, and we expect him to do business far in excess of the value of his ticket. We want to know what the risks and hazards are," he says.

Companies should make sure employees have all the facts, he believes. Local managers are a good source of advice, he says, and companies also should consider buying information.

The best source of information in the UK is the Foreign Office, which produces advice on some 120 countries, while the US State Department provides a similar service for its citizens. In the UK Control Risks runs a database from which it produces briefings on countries.

Knowing what you are up against could save you from an incident that could mar or even ruin a trip. But you may still have to find out for yourself – Visa found that 41 per cent got no advice from their companies.

Foreign Office tel: 0171-270 4129, and on the Internet at http://www.fco.gov.uk. Control Risks tel: 0171-222 1552

Kate Bevan

The biology of performance

SPORT

KEITH WHEATLEY

Black members of the England cricket team who leave for the Test series against South Africa on Wednesday will undoubtedly find race a live sporting issue in the new Republic.

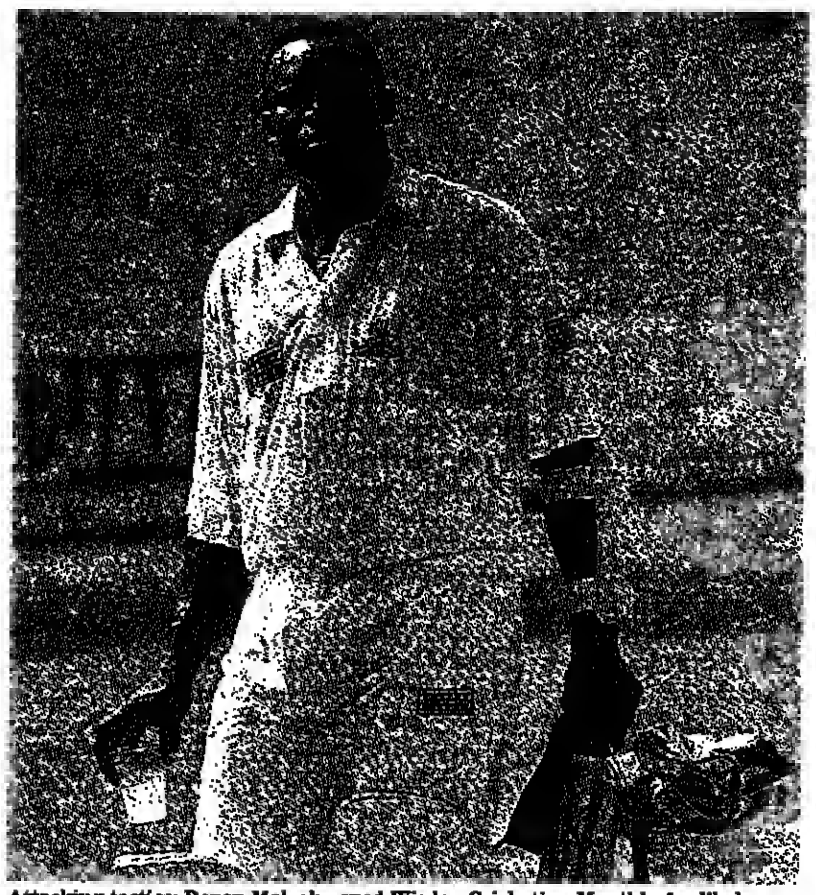
With the exception of the recent article in Wisden Cricketing Monthly which caused bowler Devon Malcolm to sue for libel over the claim that non-Anglo-Saxon players lacked commitment, the black/white divide in UK sport is near invisible.

In the USA the question is simply not one that can be posed. Distinguished researchers such as American physiologist David Castell refuse to tackle projects that look at sporting differences between races. The implications of a pre-disposition to sporting excellence in a society that equates it with low IQ are too damaging.

Unesco receotly pronounced that there are no racial differences.

On the Dark Continent they do things differently. Professor Tim Noakes is a senior coacb to the Springbok cricket team, a world authority on sports medicine, and a lèading researcher on the differeoces betweeo black and white athletes. "Being African I guess we're allowed to study race," joked Noakes, head of the Department of Sports Science at the University of Cape Town. Noakes is so influential in SA sport that he it was he who gave the pre-match pep talk to the national rugby team prior to the match against Australia that won them the World Cup last summer.

Noakes, who is digesting the implications of a new study showing that black marathon runners suffer far fewer infections after competing than their white rivals, watches with horror as his international colleagues suffer vilification for studying what he terms "the biology of performance, not intelligence".



Attacking tactics: Devon Malcolm sued Wisden Cricketing Monthly for libel

Sir Roger Bannister, the distinguished neurologist and athlete who first hroke the four-minute-mile barrier, put his head on the block in Britain recently. Speaking at a scientific conference in Newcastle upoo Tyne he speculated about the physiological reasons why black runners dominate international track and field.

Bannister said he was willing, speaking as a scieotist rather than a sociologist, "to risk political incorrectness hy drawing attention to the seemingly obvious but under-stressed fact that hlack sprinters, and hlack athletes in general, seem to have certain anatomical advantages".

He added the cautionary note that this arena was such a minefield of minority sensitivities that a projected British TV programme oo the subject had been shelved after pressure from lohbies. In the US a documentary on the superiority of black athletes led to the suspension of a coacb who took part. Bannister was attacked in the media after his cautious, even-handed speech.

"The really blg distinction is not between black and white but between people from East Africa and those from West Africa who via the slave trade went on to form the black populations of tbe USA and Caribbean," said Noakes, who has built a department of world renown.

"East Africans have muscles which can continue to contract at a high rate longer before they get tired. It sounds bloody obvious but now we can measure it and demonstrate the effect," he continued. "We're very close to isolating the chemical in the muscle tissue which causes this effect."

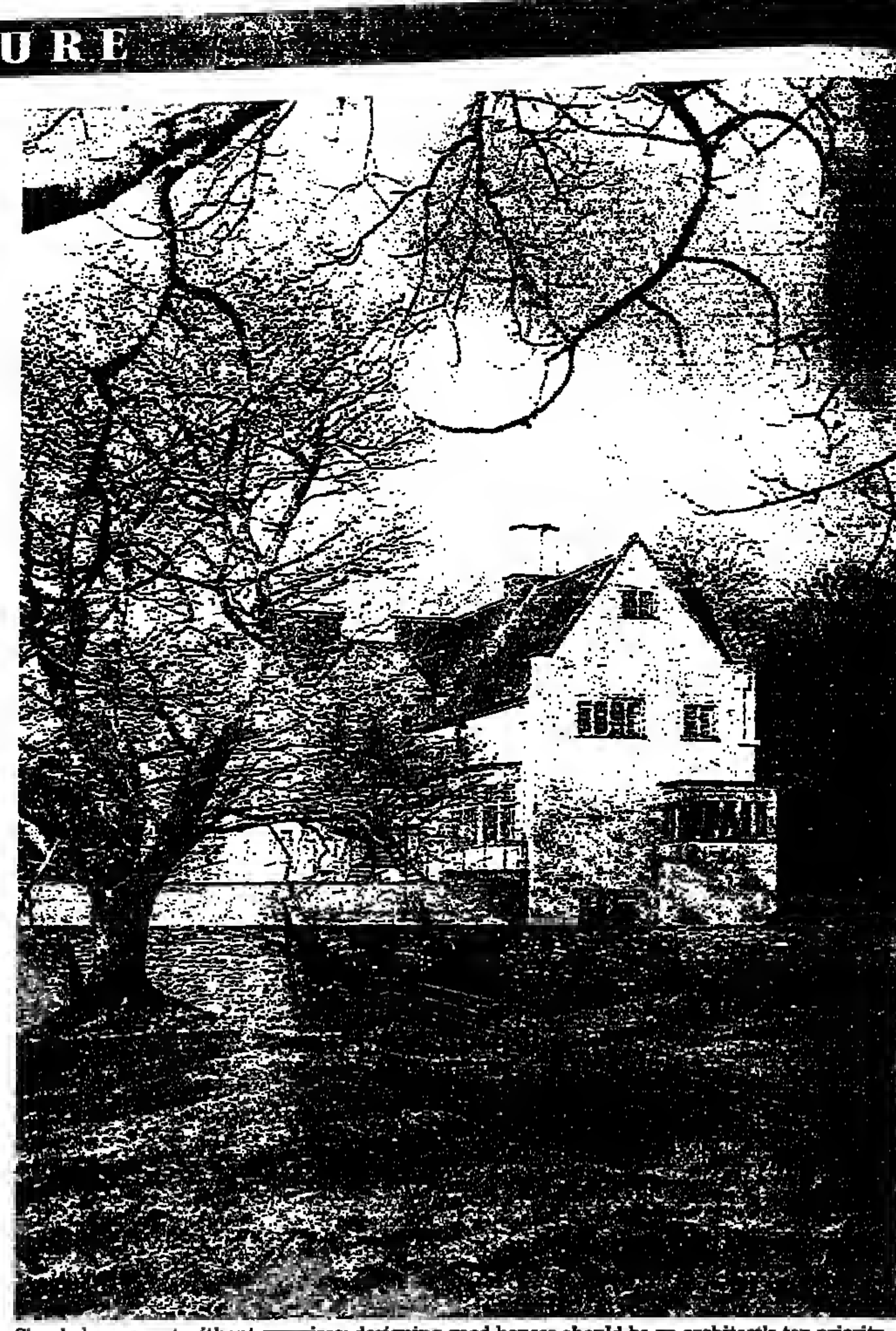
It would seem likely that Kenyans bave a double advantage on the middle and long-distance track, since they both have this "X-factor" in the muscle fibre and grow up at high altitude. This naturally develops and improves the body's ability to transfer oxygen from air to the muscles. Bannister spoke of this as "training whilst they are asleep". Thus Algeria's Noureddine Morceli, the current mile record holder at 3m 44s, whilst not born in East Africa has augmented his genetic assets by spending long periods training at high altitude.

"West Africans and, by definition, Afro-Americans have a type of powerful muscle that, however, tires extremely quickly. It gives them the potential to be world-class sprinters. However, the two groups are quite distinct and it would be a mistake to think in simplistic terms such as 'black men naturally run fast'," cautioned Noakes.

With a very real possibility of the 2004 Olympics being held in Cape Town, the nation's sports authorities are keen to see Professor Noakes's research and insights used to maximise South Africa's medal chances. With a vast and newly-enfranchised population of potential black athletes one would imagine them to be good. "Will hlack South Africans clean np the medals?" mused Noakes. "Firstly, because of the muscle-type in this country, yon're really only looking at middle-distance eveots. "Secondly, it's going to take more than ten years to catch np. The talent is right there but we don't have the management or the money. We've had good athletes in the past but their performance has gone down because of the environment they've had to train and work in."

Noakes is confident that his "applied researcb" will bring rewards in other sporting fields. For two years his department has been working with the South African cricket team building towards next winter's World Cup in Pakistan. "We're doing research here that has never even been thought about in cricket," chortled Noakes.

"When the Springbok team comes on the pitch in Karachi – watch out! Bot it's always more difficult to shine on the athletics track. The whole world runs, not that many people play cricket or rugby. And we've consistently manged to shoot ourselves in the foot. If Ali Bacher [chief executive of the United Cricket Board of South Africa] was running athletics we'd already be achieving world-class success."



Simple homes, not without surprises: designing good houses should be an architect's top priority

In praise of grace and sanctuary

Architects should rediscover sensible and calm arrangements for home life, writes **Colin Amery**

Designing good bouses sbould be tbe top priorlty for any architect and building them the main concern of any builder. At every political party conference ministers promise more and more exotic ways for people to own their bomes. The Conservative party announcement of the extension of the "right to buy" to bousing associations tenants could belp the first-time huyer acquire a well arranged house as most housing associations huild architect-designed houses.

My concern is tbat most architects and all design schools fail to see houses as the key to understanding architecture itself. That was not always the case. To design a house used to be the dream of an architect – today in these gung-ho, Lottery-funded days it is more profitable to design a museum or an opera house or for an architect to be simply another highly paid "consultant".

There is an exhibition at Kettle's Yard in Cambridge, until the eod of October, about the houses of the architect Baillie Scott (1865 to 1945) – and there is an excellent book to accompany the exhibition, which will loog outlast it. *Baillie Scott The Artistic House* by Diana Haigh (Academy Editions, London, £19.95).

Diana Haigh is an architect, working and teaching in Cambridge and she has restored and looked after some of the finest houses by Baillie Scott in the city. Her knowledge is oot purely academic and her infectious enthusiasm for his houses comes from a practical knowledge of them.

Baillie Scott is something of a forgotten figure whose work has been overwhelmed by more famous architects. In fact he had a loog career and huilt some of the best turn of the ceotury houses in England. As Diana Haigh says so well in her book, tbe kind of house that Baillie Scott designed provided, "grace and sanctuary" for those who lived in them.

Grace and sanctuary are ideals tbat are not easily achieved but certain architects have found the key that opens the door into such safe and beautiful homes. There are certaln basic qualities that are needed. The plan and the elevation of tbe bouse sbould express utility – sensible and calm arrangements for a home life. The bullding materials sbould, where possible, come from the locality and be in harmony with their natural surroundings. The details of the house should bear a relationship to tha vernacular originals and skilled craftsmen should be employed to finish and enrich tbe house. Ornament, carefully used, should be based on nature.

Baillia Scott was coocerned in his day about the rampant spread of rows and rows of mundane terrace houses. He expressed his sadness at the way the unplanned suburban sprawl was eating up the countryside. Bnt he was not a complainer. He designed and built examples of small houses and gardens that were economical, beautiful and in harmony with their surroundings. He hoped to teach by example and certainly his work at the early planned garden settlements like Letchworth or Hampstead Garden Suburb became exemplars.

He wrote a highly influential book – *Houses and Gardens* in 1906 which is full of timely advice. He does not insist upon a high level of ornament, "the artistic house is based on the very essence of its structure, not on frillings and adornments". He saw a poetry in simplicity and he learned that from looking at the simple and beautiful vernacular houses of England's small country towns and villages.

The photographs in Mrs Haigh's hook bring oot the clear beauty of his simplest houses and the photographer Charlotte Wood deserves equal credit with the author. Two houses in particular bring out tbe strong quality of simple materials well used. On the cover of the book is Church Rate Corner, a lovely aecret house in Cambridge with its rendered and ochre llme-washed gables. Blackwell, a bouse on Lake Windermere, showa how Baillie Scott progressed from dense half timbering to taut wall surfaces and flush even stonework. His little house, White Lodge, at St.Mary's Convent in Wantage, Oxfordshire sbows perfectly the virtues of rough cast walls and stone window surrounds.

These apparently simple houses are not witbout their surprises. Many of tbem have rich and colourful interiors and are spatially Inventive witb double beight halls and low inglenooks. They are not cosy and sentimental but full of light and the clarity of simple materials well used.

There is also a radical side to Baillie Scott's house plans. He was interested in the open plan and in making strong links from inside the house with the planned garden. His plans are also Intensely practical with sensible plumbing, south facing sunny kitcbens, bed recesses and playrooms in the attics.

Unusually for an architect of his era, Baillie Scott was serious in his concern to improve the housing conditions for the mass of ordinary people. His hatred of the routine terrace gave him the creative energy to design some alternatives. One of his very best scbemes – and ooe well worth visiting – is Waterlow Court in Hampstead Garden Suburb, north London. It was built in 1908 to provide fifty flats for young working women. Instead of a mean terrace it is huilt around a court with a cloister that provides access to all the flats. Each flat is perfectly planned internally, giving the resident a large room with a sleeping alcove and small kitchen. The original acheme offered communal dining and there ara still allotment gardens for each resident. Waterlow Court was Baillie Scott's own favourite of his buildings because it worked so well and offered a real alternative way of living in cities. It is still a place with a remarkable atmosphere.

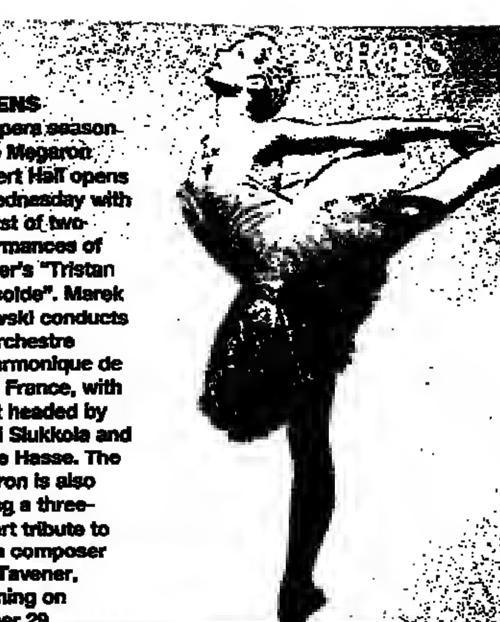
Baillie Scott shows us how to celebrate calmly the Idea of home – his work is full of lessons for today when "market forces" bave worked to force us to realise that home is more than just a property speculation. With the help of a good architect It can be a place for the cultivation of real values.

OPEN

...of little-known operas. This year's trio is Pacini's "Saffo" (1840), Rimsky-Korsakov's "May Night" (1880) and Mascagni's "Iris" (1898). The festival is renowned for its house party atmosphere, spreading from the exquisite small theatre to the hotels of this coastal Irish town. Performances run from Thursday till November 5.

NEW YORK
City Opera gives the US premiere on Thursday of "Kinkakuji" by Japanese composer Toshiro Mayuzumi. Based on "The Temple of the Golden Pavilion", a novel by Yukio Mishima, the opera was first performed in Berlin in 1976. It tells of a disfigured monk's obsession with the beautiful Kinkakuji Temple (above) in the Japanese city of Kyoto. Christopher Keene conducts a staging by Jerome Sirlin, and Eugene Perry sings the role of the monk Mizoguchi.

ATHENS
The opera season at the Megaron Concert Hall opens on Wednesday with the first of two performances of Wagner's "Tristan und Isolde". Marek Janowski conducts the Orchestre Philharmonique de Radio France, with a cast headed by Heikki Siukkola and Sabine Hasse. The Megaron is also staging a three-concert tribute to British composer John Tavener, beginning on October 29.



The Royal Ballet season begins Saturday night, 21 October, with "Swan Lake". Darcey Bussell (left) heads the first night cast.
The Royal Shakespeare Company honours two of our most celebrated late playwrights this week with new productions: Dennis Potter, whose "Son of Man" enters repertory at the Pit on tomorrow; and John Osborne, whose "A Patriot for Me" opens in the main Barbican Theatre on Wednesday.
Fiona Shaw, after her performance as Richard II at the Cottesloe this summer, returns to female character and to Restoration comedy on Thursday. Phyllida ...

Cyrano goes to Bollywood

Martin Hoyle talks to Ranjit Bolt and Jatinder Verma about their new production of this French classic for London's Royal National Theatre

Not so long ago Molière's *Tartuffe* was playing on either side of the Thames, to the confusion of theatregoers turning up at tha wrong production: The Playhouse hosted Peter Hall's production, translation by Ranjit Bolt; the National Theatre, just across the water, boused the Asian transposition by Tara Arts, directed by Jatinder Verma.

Bolt, of Anglo-Indian parentage, and Verma, a Kenyan-born Asian based in Britain, have both made a splash with their versions of French classics (Verma's adaptation of *Le Bourgeois gentilhomme* to the French colony of Pondicherry was a resounding success). They collaborated on a sixth-century play, *The Little Clay Cart*, which also brought Tara Arts as a guest to the National; but their joint work on another French standard, Rostand's *Cyrano*, is the first fully-fledged production to be actually launched at the RNT by the Asian company. True to Tara Arts' form, the adaptation sees a western classic through eastern eyes; and, in keeping with his own record, Bolt has boldly adhered to that (to British ears) notoriously tricky form, the rbymed couplet.

Traditionally, the English associate the couplet with pan*tomime*; moreover, the temptation to prophesy what the rbyme will be tends to defuse the dramatic tension. Verma adopts a different cultural perspective, that of the modern Indian theatre. "As a direct result of Englisb companies touring, a lot of Indian authors took over Sberidan, Sbakespeare and Congreve and converted them into rbyming conplets. In the Indian theatre the relationship between audience and performer is very fluid; the actor looks for a response. Partly it's the tradition of the English music hall."

As a translator, Bolt has romped through our suspicion of couplets with wit, point and aptness, even prompting this paper to refer to "the translator as star". It comes as surprise to learn of his early career as en investment adviser. Far from the arts providing a more precarious living, he admits that "the theatre has paid my mortgage off. I wasn't a City whizzkid. I was always sending stories off and getting them sent back with rude letters. Then I beard on the news that Jonathan Miller had taken over the Old Vic. I had a translation of *The Liar* in my bottom drawer and sent it to him." Back came the message that his version of Corneille's *Le Menteur* would be put on. "And it took off." He is currently at work on a novel, "a bodice-ripper," be explains, in which he introduces a character he hopes may become a female Flashman. He haa started an original verse play: and guardedly mentions a translation from Anouilh. Avowedly neurotic (though his unflinching gaze bespeaks the iron nerves of the expert poker player that be is) and perhaps a little superstitious, he refuses to discuss this.

In the newly glamorous world of translating, opera looms large. Bolt is cantious but enthusiastic. Though be turned down Gluck's *Orpheus* he would welcome a commission from a company that could afford to closet him with a repetiteur to overcome his musical modesty. From the way he discusses *Don Giovanni*, the opera he would like most to translate, I suspect this is needless.

Tara Arts had a more premeditated genesis. Born of the racial tronbles of the mid-1970s, the company could have taken a militant attitude. Instead its first play was an adaptation of a work by Tagore. Jatinder Verma explains: "First, it was a pacifist comment; secondly it's not set in modern India but the 14th century. It'a interested in inhumanity and pigheadedness." This oblique approach to current issues gave an indication of Tara's subsequent approach.

For a sentimental work, *Cyrano de Bergerac* has surfaced surprisingly often in modern times, even modernised on celluloid as *Roxanne*, with Steve Martin as the pining poet with the problematic proboscis. What commended it to an Asian company?

Verma wanted to work again with Anuradha Kapur wbo had directed his hit adaptation of Gogol'a *Government Inspector*, a wicked illustration of the universality of aelf-interest, jobbery and petty snobbishness. Given the National Theatre location, they decided not to make "a wild jump away" from Tara'a previous work but to stick to something European, perhaps French. "We both thought *Cyrano* a delicious fable about an outsider – as much a *wilful* outsider as one made by society." Verma then contacted Bolt. "I said, you do the translation, I'll do the verse," says his collaborator.

For English palates *Cyrano* sails perilously near the wind of sentimentality. "If written by an Englishman it would bave been more quirky and funny," admits Bolt. "His famous nose speecb is not funny, it's really ratber self-righteous. There's also a Gallic shrug there." But Verma works in the Indian tradition, both populist and poetic, of treading the fine line between sentimentality and pathos, a tradition empbasised by the inclusion of music and songs. Above all, the saccharine should be kept at bay by an extraordinary piece of updating. Besides transposing the action to India, the prodnction takes Rostand's story of flamboyant theatricals, backstage intrigue and the selflessness of the gallant poet who woos his beloved for another man while hiding is own feelings, into 1930s Bollywood.

"They're a more hard-bitten, cynical buncb of people," explains Bolt, "facing up to life and getting on with it." The contrast between the old touring theatre troupe and the ramorseless entartainment machine that is the Indian film industry is depicted in the new version. Appropriately enough, the Indian screen superstar Naseeruddin Sbah is taking the title-role, underlying the desperate escapism and impossible glamour that the cinema came to represent.

The acript is judiciously studded with Urdu both poetic and slangy. "One of the exciting things about this version is the way Ranjit has structured it," says Verma of his versifier. "He goes from 'the world's wah wahs' to 'rise up and touch the stars'." (Wah wah is the equivalent of booray.) The style is perfectly in keeping with Verma's own attitude. "Flirting with the English language is the best definition. I'm a flirt. Had I not known the colonial experience I might have been like Ranjit." (Manchester-born Bolt, nephew of the playwright Robert, is scarcely aware of his Asian side.) "But it's a hiatus you're always aware of – the first 14 or 15 years of your life. One of the first times I was conscious of English here was walking back from school and a friend said 'You have very *correct* English, Jatinder'. The colloquialisms I didn't have. I had to train my ear to idiosyncracies."

As with language, so witb the culture in a broader sense. "Life's collisions are like the rbymes. What's really enjoyable is what *doesn't* turn np; the unpredictable. There'a a frisson, it's actually necessary, I firmly believe it. If we're going to make real this multiculturalness, for want of a better word, we can't hide from those moments of frisson. It can be joyous as well as aggravating." He admits to a certain alarm at being known simply as an Asian theatre director, "but to some extent I've created that configuration; I can't absolve myself. The day I see myself just as 'a director' things will have happened and you will be able to read Jane Austen and Wole Soyinka in the same curriculum ... But the fact that projects like this are happening is bopeful. It's for others to pick it up."

The new script contains an argument about the relative merits of the theatre and film. Of course we are meant to side with the romantics and live performers, but I remind Bolt of an interview in which he stated a preference for the cinema. He recants, or rather moderates his view, with the studied consideration of a City investment adviser. "A bad evening in the theatre is worse than a bad evening in the cinema. But a good evening in the tbeatre provides something nothing else can." Verma voices their ambition for this Raj *Cyrano*, and perhaps his own for Tara: "If audiences can experience the journey from wah wahs to the stars, that's my life ..." Wah wah.

Trevor Humphries

Jatinder Verma, artistic director of the Asian Tara Arts company, with Ranjit Bolt, who translated Rostand's play into English rhyming couplets

Opera/David Murray

Twilight of rare quality

At the Royal Opera, Richard Jones's *Ring* has reached its completion with *Götterdämmerung*, "Twilight of the Gods". It overlaps Wagner's *Ring*, but never coincides with it; the music, under Bernard Haitink, has to fend for itself. On Saturday it did that well enough to earn an enthusiastic reception, louder than the renegade boos.

What Jones shows us, in the rude confines of Nigel Lowery's sets, amounts to a loose string of contrary comments on the story. Some brigbt ideas, some duff ones; some, perbaps, will be changed next autumn, when tha whole *Ring* is assembled for three runs it would make little difference.

In deconstructionist style, Jones has rednced Götterdämmerung, like the preceding Ring operas, to certain data: the score, the stage *personae* and the prescribed visible action (to which he is faithful, in his kinky fashion). Any meanings or resonances beyond those data are to be expunged as mere historical and sentimental accretions, woozy Wagnerian mythology, no part of the actual work.

On this view, Bernard Williams' thoughtful essay in the programme-book, about tbe meaning of Wagner's "end of the gods", is just a fiction about a dream. Audiences, bowever, may slip back into old-fashioned ways of understanding what they see. So what they see needs to contradict sentimental expectations, to guy them and skew them. Jones is thorough about that.

The three mysterious Norns of the Prologue are lower-middle-class housewives in cardigans, teetering along a narrow incline before a front-cloth of graffiti (house-ligbts full np). When the first scene proper begins, we have already spied Brünnhilde standing with ber back to us at a high window. Bot wbo is this little man with cropped hair, rough clothes and braces, climbing out of the floor with his kit: someone come to fix the plumbing? No, it is Siegfried.

Again: Wagner's music for Gutrune is all passive, wistful tenderness and grace so she had better be got up as a Joanna Lumley vamp. Jones lets Brünnhilde, Gunther and Hagen stand and deliver their murderous Act 2 trio for all it's worth, but when Siegfried and Gntrune rejoin them for the wedding innocence rushing eagerly toward its doom he is swigging drunkenly from a bottle and about to shag her. Act 3 finds him finishing the bottle and passing out: the Rhinemaidens are his alcoholic delusion.

Earlier, when Hagen's sinister watcb ia aboot to end, Jones has noticed that his grim music acquires a major-key glow: In stage-fact Hagen has been shooting up, and at that very moment be gets his hit. You have to admire the ingenuity. There is none in Siegfried's funeral procession, for it never bappens; Haitink is allowed to conduct it, beautifully, as a pure interlude.

Perhaps Jones had a plan for it that was more than Haitink could stomach, and what we see is their compromise. Nor is there any immolation, conflagration or flood at the end: a wall of combustible cardboard boxes falls, but we know that fire regulations forbid a blaze. Brünnhilde strolls off with a charred zombie, who might be Wotan, or Death or just a charred zombie.

The sednctive Rhinemaidens have slimmed since *Das Rheingold*, wbere they were gross inflatable dolls. Now they wear body-stockings, pornographically touched up in black with breast-outlines, navels and pubic hair: no guessing whether that reflects a change in Siegfried's tastes, or in Jones's or Lowery's. Lowery's fascination with the visual geometry of stage-planes produces some striking sets, though be will soon have exhausted his short-list of influences: de Chirico, Miro and graffiti.

Haitink emerges from the whole exercise with enormous credit, and his international cast too. Their penchant for enacting Wagner's characters in their facial expressions and attitudes escapes Jones's control; that is part of what has made them distinguished Wagner-singers, after all. Ideally Jones should have them sing unseen, and put tractable dummies onstage instead.

Deborah Polaski sounds like the best Brünnhilde we shall have for some time: powerful, intelligent, passionate (and very tall). Siegfried Jerusalem sings his beroic namesake bravely, if without much lustre. Kurt Rydl's Hagen is a superb, sonorous monster; the American baritoue Alan Held makes his Covent Garden debut as a strongly projected Gunther; Jane Henschel is a committed, dramatic Waltraute. All the other singers are good, or better than that. Even if the production is an expensive, indulgent jape, the evening is not a waste of time.

INTERNATIONAL
ARTS GUIDE

■ AMSTERDAM

GALLERIES
Stedelijk Tel: (020) 573 2911
● Christiaan Bastiaans: giant video installation; to Nov 26
OPERA/BALLET
Het Muziektheater Tel: (020) 551 8922
● Moses and Aaron: by Schoenberg. A new production directed by Peter Stein and conducted by Pierre Boulez. Soloists include David Pittman-Jennings as Moses and Chris Merritt as Aaron; 8pm; Oct 17, 20, 23

■ BALTIMORE

CONCERTS
Symphony Hall Tel: (410) 783 8000
● Baltimore Symphony Orchestra: with soprano Harolyn Blackwell, mezzo-soprano Delores Ziegler and tenor Karl Dent. Robert Shaw conducts Barber and Mozart; 8.15pm; Oct 19, 20, 21
OPERA/BALLET
Lyric Opera House Tel: (410) 727 6000
● La Traviata: conducted by Alfredo Silipigni and directed by Frank Corsaro. Cast includes Daniela Longhi/Maria Pellegrini, Nicole Biondi and Steven Rainbolt; 8.15pm; Oct 18 (7.30pm), 20, 21, 22 (3pm)

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 34384-01
● Madame Butterfly: by Puccini. Conductor Sebastian Lang-Lessing and produced by Pier Luigi Samaritani; 7.30pm; Oct 21

■ BONN

GALLERIES
Kunst-und Ausstellungshalle Tel: (0228) 917 1236
● Bernhard Heiliger: tribute to the sculptor on his 80th birthday with a retrospective that includes sculptures, reliefs and drawings; to Oct 20

■ FRANKFURT

CONCERTS
Alte Oper Tel: (069) 134 0400
● Frankfurt Opera House and Museum Orchestra: with soloists Gunnel Bohman, Margit Neubauer, Hubert Delamboye and Peter Lika. Sylvain Cambreling conducts Messiaen and Beethoven; 8pm; Oct 18
● Orchestra of Padova and Veneto: with pianist and conductor Alexander Lonquich in an all-Mozart programme; 8pm; Oct 17
● Radio Symphony Orchestra: Eliahu Inbal conducts Schumann and Mahler; 8pm; Oct 18 (7.30pm), 19, 20
● St. Petersburg Philharmonic Orchestra: Yuri Temirkanov conducts Rachmaninov's "Symphony No.2" and selected pieces from Prokofiev's "Romeo and Juliet"; 8pm; Oct 22

■ LONDON

CONCERTS
Queen Elizabeth Hall Tel: (0171) 928 8800
● The Chinese New Tide: with soprano Judith Mok and baritona Shi Kelong. Tan Dun conducts a programme of first generation Chinese composers such as Qu Xiaosong and Chen Qigang; 7.45pm; Oct 22
Royal Festival Hall Tel: (0171) 928 8800
● Guitar Encounters: an evening of guitar, flamenco and Andean music with John Williams, Paco Pena and Inti-Illimani; 7.30pm; Oct 24
● Philharmonia Orchestra: Christoph von Dohnányi conducts Richard Rodney Bennett and Mahler; 7.30pm; Oct 19
● The London Philharmonic: Roger Norrington conducts an all-Berlioz programme; 7.30pm; Oct 18
OPERA/BALLET
Royal Opera House Tel: (0171) 304 4000
● The Marriage of Figaro: by Mozart. Conducted by Bernard Haitink/David Syrus and directed by Patrick Young. Soloists include Felicity Lott/Cheryl Studer, Andrea Rost/Barbara Bonney and Robin Leggate/Ryland Davies; 7pm; Oct 16, 18
● Tosca: by Puccini. Conducted by Simone Young and directed by Jeremy Sutcliffe. Soloists include Galina Gorchakova, Johan Bohta and Francia Egerton; 7.30pm; Oct 17, 20

■ LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion Tel: (213) 365 3500
● Itzhak Perlman: violinist with pianist Janet Goodman Guggenheim plays Brahms, Bach and Poulenc; 8pm; Oct 17
● Los Angeles Philharmonic: with cellist Daniel Rothmuller. Franz Welser-Möst conducts Mozart's "Symphony No.31", Dvořák's "Symphony No.7" and Hindemith'a "Cello Concerto". This concert marks the beginning of the Philharmonic's Hindemith centennial tribute; 8pm; Oct 20, 21, 22 (2.30pm)
GALLERIES
Museum of Contemporary Art Tel: (213) 626 6222
● 1965-1975, Reconsidering tha Object of Art: exploration into the development of contemporary art between 1965-75 and how the artistic community began to re-examine form, function and meaning; to Feb 4

■ NEW YORK

CONCERTS
Alice Tully Hall Tel: (212) 875 5050
● Lincoln Center Jazz Orchestra: Wynton Marsalis conducts a programme that includes Ellington, Monk and Mingus; 8pm; Oct 18
Carnegie Hall Tel: (212) 247 7800
● Maurizio Pollini: planist plays an all-Beethoven programme; 7.30pm; Oct 18, 23
● Norwegian Chamber Orchestra: Iona Brown conducts Arn, Grieg, Vaughan Williams, Stravinsky and Mozart; 8pm; Oct 17
● Symphony Orchestra of Montreal: with pianist Yefim Bronfman. Charles Dutoit conducts Berlioz'a "Les Francs-Juges", Saint-Saens' "Piano Concerto No.2", Chausson's "Symphony in B Flat Major" and Ravel'a "Spanish Rhapsody"; 8pm; Oct 21
● Symphony Orchestra of Montreal: with pianist Louis Lortie. Charles Dutoit conducts Berlioz's "King Lear, Overture", Beethoven'a "Piano Concerto No.4", Martinau's "Symphony No.5" and Enesco's "Romanian Rhapsody"; 3pm; Oct 22
GALLERIES
Museum of Modern Art Tel: (212) 708 9480
● Annette Messager: retrospective of the French artist consisting of books, photographs and installations that demonstrate how ell things can represent objects of expression; to Jan 16
THEATRE
Atlantic Tel: (212) 645 1242
● Dangerous Corner: by J.B. Priestley. Directed by David Mamet; 8pm

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 49 52 50 50
● National Orchestra of France: with bass baritone José van Dam. Serge Baudo conducts Berlioz, Delibes, Massenet and Wagner; 8.30pm; Oct 17
● National Orchestra of France: with pianist Andreas Haefliger. Claus-Peter Flor conducts Mozart and Bruckner; 8pm; Oct 21
GALLERIES
Centre Georges Pompidou Tel: (1) 42 77 12 33
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■ WASHINGTON

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● National Symphony Orchestra: with pianist James Tocco. George Manahan conducts Debussy's "Iberia", Stravinsky's "Concerto for Piano and Wind Instruments" and Rachmaninov's "Symphonic Dances 3; 8.30pm; Oct 19, 20, 21, 24
GALLERIES
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● Winslow Homer: more than 225 works including 86 oils by the American artist; 8pm; to Jan 28
OPERA/BALLET
Kennedy Center Tel:(202) 467 4600
● Suzanne Farrel Staged Balanchine: an evening of George Balanchine choreographed pieces. It includes "Chaconne", "Slaughter on 10th Avenue" and "Tzigane"; 8pm; Oct 17, 18, 19, 20, 21, 22 (2pm)

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Gingrich is good for healthcare

MICHAEL PROWSE on AMERICA

The White House is doing its best to vilify Republican plans to reform healthcare. Mr Newt Gingrich, speaker of the House of Representatives, and his heartless allies are accused of trying to cut spending on Medicare – the public scheme for the elderly – by a shocking $270bn over seven years. President Bill Clinton claims sucb reckless cuts seriously threaten the quality of care.

In truth, Republicans want to increase spending on Medicare at an annual rate of 6.4 per cent over the next seven years, while introducing reforms backed by many health economists. The proposed growth of spending would be more than double the expected rate of inflation and well above the projected growth of national income in money terms. That it is routinely described as a severe "cut" only illustrates the absurdity of US budgetary conventions.

Like the pre-Thatcherite British Treasury, Washington deals in "funny money". Spending growth, no matter how rapid, is deemed a "cut" if it falls short of the growth stipulated in what is known as the "current services" baseline. In the case of bealthcare, officials estimate that spending must rise by at least 10 per cent a year just to maintain services at their current level. Such pessimistic projections are a mindless extrapolation of historical trends.

Why should Medicare costs remain so out of control, wben growth of private bealtbcare spending has slowed almost to a standstill? Why should the public sector pencil in such enormous increases wben many efficient providers of managed care in the private sector, such as Health Maintenance Organisations (HMOs), are lowering their premiums? It is surely the height of irresponsibility for Democratic politicians to talk as though Medicare spending must rise at 10 per cent a year forever. This gives doctors and hospitals no incentive to provide services more efficiently.

The barrage of negative propaganda obscures the fact that Republicans are, in a tentative fashion, proposing beneficial and long-overdue reforms in the way Medicare is run. Health spending now accounts for 14 per of US national income, more than double the percentage in the UK. Costs ballooned in recent decades largely because of the reliance on third-party insurance and a fee-for-service payment system. Doctors had an incentive to pad their incomes by providing too many treatments at too high a price; patients were indifferent to costs because the rising insurance premiums were paid either by employers or by the government.

Employers, at long last, appear to be getting costs under control by shifting employees into HMOs and other forms of managed care. HMOs provide care in return for a fixed annual fee per patient; they thus bave an incentive to try to reduce their costs. At the same time they cannot afford to let quality slip, or they will lose patients to competing HMOs. About two thirds of the employees of large companies are now reckoned to be in some form of managed care.

Yet the US's backward public sector has been barely touched by such reforms. With only about 10 per cent of the elderly in HMOs, Medicare remains predominantly a fee-per-service system. Unlike public-sector schemes in other countries there is no budget cap. The federal government tries to control costs with a labyrinthine system of fee schedules. But costs still rise at 10 per cent a year because the medical profession invents new kinds of treatment, for which demand is unlimited. And, in spite of the enormous expense, the elderly get o raw deal. Medicare does not cover the full costs of catastrophic illnesses; and patients have to pay for prescription drugs.

You do not have to be Einstein to grasp that the solution lies in restructuring Medicare along the same lines as corporate health schemes. If the elderly were put in HMOs, the federal government could scrap its complex system of price controls. It could simply announce that premiums would rise at a given rate – perhaps in line with growth of national income. HMOs and other managed care providers would have to provide the best possible care within that budget, just as British health authorities do today. Competition between HMOs for Medicare patients would probably result in a more attractive package of benefits, at a lower cost, than is now available.

Repnblicans are pressing for reforms along precisely these lines. In the private sector, companies are forcing employees into HMOs. Conscious that tbe elderly are suspicious of managed care, which restricts choice of doctors, Mr Gingrich is taking a softer line. He is offering a small financial incentive to encourage a voluntary shift into HMOs and other schemes designed to promote cost efficiency, such as medical savings accounts. He is also arguing, bravely, that the affluent should pay more towards the cost of Medicare, whatever type of plan they cboose.

The bottom line is that Republicans are being responsible. They are seeking a modest reduction in the growth of Medicare, which is essential if budgetary pressures are to be contained when baby-boomers start retiring. And they argue that it can be achieved humanely by encouraging a voluntary shift into managed care, a system which is rapidly becoming the norm for working Americans.

The one criticism to which they are vulnerable is that of being too timid: arguably a much faster shift of the elderly into HMOs is needed than seems likely under their plans. But Republicans look positively statesmanlike when compared with Mr Clinton, who is cravenly currying political favour by opposing any substantive change, however rational.

Robert Rice on rumours of a wave of link-ups between leading law firms in the US and UK

Urge to merge over the Atlantic

In the long, hot summer of 1995, lawyers in the City of London became convinced they were about to witness an event which would transform the international legal services market – a merger between leading US and UK law firms.

Rumours began to circulate in London of a link-up between Freshfields, one of the UK's top five international law firms, and Davis Polk & Wardwell, a leading New York firm, to create an international legal services group comparable with those in the accountancy and banking professions.

The two firms deny the rumours – though leading figures in both have made it clear they regard transatlantic mergers as inevitable. But many lawyers remain convinced that the profession is on the brink of a "Big Bang" reorganisation that will leave global legal services dominated by perhaps as few as six superfirms.

Two factors have brought the issue of transatlantic mergers back on to the agenda. One is the intense and increasing competition batween US and UK firms for the most lucrative work on international privatisations and project finance; the other, the growing pressure from clients to provide a truly global service.

Providing the legal expertise in structuring complex financial deals and handling global securities offerings have become big business for leading law firms. In the past global offerings were generally made under English law by UK firms. But with many privatisations now leading to listings on US securities markets, there is increasing demand for US legal expertise. Thus, the forthcoming $10bn privatisation of Dentsche Telekom, which might in the past have involved a UK firm, is being handled by Sullivan & Cromwell of New York.

US firms have also begun to win business in parts of the world where English law has traditionally dominated. The award in 1993 of the work on the $2.7bn privatisation of Singapore Telecom to two US firms, Cleary Gottlieb and Sullivan & Cromwell, was a shock for City firms.

Increased competition for such work has led law firms on both sides of the Atlantic to expand into each other's territory. Large UK partnerships such as Freshfields, Linklaters & Paines, Allen & Overy and Clifford Chance have hired US-qualified lawyers to help in pitching for international deals with a significant US law element. And US law firms have begun hiring in London to build up an English law capability. One example of this strategy paying off was the appointment earlier this year of the US firm, Milbank Tweed, to handle the British Coal sell-off to RJB Mining – to the horror of the UK profession.

The demand by clients for a truly global legal service from their law firms is a more recent development. Two years ago clients used to say "we'll use you here but not there", says Mr John Grieves, senior partner of Freshfields. Now they are saying they want a global approach provided the quality of the work can be guaranteed.

"When you put together the increasing requirement by clients of a global service and the challenge of providing it where they want it and the increasing competition between US and UK firms, the pressure begins to mount. It doesn't automatically follow that it will lead to mergers, but it does put increasing demands on firms, which only a few can meet, so some will be tempted," he says.

Such considerations gave added credibility to the summer rumours of a merger between Freshfields and Davis Polk Wardwell. "Davis Freshfields" would be a powerful force with combined revenues of £300m ($472m), almost 1,200 lawyers and 16 offices in 14 countries around the world.

Freshfields' Mr Grieves has long said he believes a transatlantic merger between two top firms is inevitable at some stage. Mr Frank Morrison, Davis Polk's managing partner, questioned about the rumour in June, "just grinned", according to a leading competitor.

Speculation has intensified in recent weeks. Freshfields is reported to be looking for 30,000-40,000 sq ft of office space near its London headquarters – more, rivals say, than required to meet likely growth in the UK firm over the short term. The two firms have also set up a sizeable lawyer exchange programme, which, one US lawyer says, "looks like a getting to know you exercise".

The cultural and human obstacles to such a merger are immense. A previous attempt by Skadden Arps Slate Meagher & Flom, the US firm, to create a global superfirm in the late 1980s failed when it could not find a UK partner.

"Putting together two first-tier organisations is just too difficult," says Mr Bruce Buck, who heads the firm's London office. "I know it happens in the ordinary business world but the differences are magnified in law firms where everyone thinks they are proprietors."

One difficulty is the difference between the earnings of US and UK lawyers. The top US firms are much more profitable than their UK equivalents, according to league tables of earnings produced each year by American Lawyer magazine and Legal Business, its UK counterpart.

Profits per partner last year were $1.4m last year at Wachtel Lipton, the most profitable US law firm, $1.25m at Cravath Swaine & Moore and $1.18m at Sullivan & Cromwell. The most profitable UK firms were Allen & Overy and Slaughter and May, both with profits per partner of £395,000 last year.

The earnings gap is magnified by the different remuneration systems used by UK and US partnerships. Most UK firms operate a lockstep system, which caps partners' earnings after between 10 and 15 years as a partner. The current cap in most of the top city firms is believed to be about £350,000 a year. In US firms committees often decide how the cake should be divided, so high-earning partners can earn anything up to 10 times more than their UK counterparts.

Yet few partners in the top law firms on both sides of the Atlantic need convincing that a significant merger will happen at some stage. Mr Bill Tudor John, senior partner of Allen & Overy, predicts it will happen "within the next two years".

Freshfields' Mr Grieves believes such a merger would have a "catalytic" effect on the global legal services market. Mr Randall Guynn, a London-based partner of Davis Polk, says "it would certainly cause others to follow suit."

But some are less convinced. Mr James Wyness, senior partner of Linklaters, says: "Will it be done? Yes. Will we panic? Yes, like mad. Is it the only strategy? I suspect many different strategies will work."

Linklaters' strategy, which is close to that of Sullivan & Cromwell, is to compete at the very highest level in the global legal market for securities, banking, project finance and privatisations. From this point of view, transatlantic mergers make sense only if some part of the combined firm has ambitions to build a true multinational firm offering a full range of legal services, including a local law capability, in the main global economies – which is Freshfields' aim.

Firms such as Linklaters would contemplate an international merger only if the majority of their main clients wanted it. "We've asked them and they don't," Mr Wyness says.

In the end it is the US firms which are likely to determine whether there will be a spate of mergers. In spite of their greater profitability and increased share of the global market, most have suffered from falling revennes in recent years. Their fortunes also tend to be tied closely to one or two investment bank clients – Sullivan to Goldman Sachs, for example, Davis Polk to J.P. Morgan and Morgan Stanley.

If a US firm finds profits dipping because it is no longer getting enough work on the big project finance transactions and privatisations or the bank it is linked to has a bad year, the urge to merge may become irresistible.

LETTERS TO THE EDITOR

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We are keen to encourage letters from readers around the wodd. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main internatiooal languages.

No paradox in view of policy instruments

From Professor Steve Honke and Sir Alan Walters.

Sir, Sir Samuel Brittan ("A rescue from the dustbin of history", October 9) suggests that our advocacy of currency board systems and opposition to pegged excbange rate systems is paradoxical. This suggestion is incorrect.

Exchange rate regimes come in the following varieties: (1) floating rates; (2) absolutely fixed or "unified" rates, or; (3) fixed-but-flexible rates. The leading currencies – notably the US dollar, German mark and Japanese yen – float in a more or less clean manner. Some countries employ unified currency regimes either by fixing their exchange rates to anchor currencies via currency board syatems or by simply using a sound foreign currency as legal tender.

Floating and unified regimes appear to be quite different, but in reality they are both free-market mechanisms for international payments. In conseqnence, exchange controls, balance of payments crises and disruptive speculative attacks are not associated with either floating or unified regimes.

Fixed-but-flexible, so-called "pegged", regimes are employed by some industrial countries, notably members of the ERM, and most developing countries. These regimes are interventionist systems. They require a central bank simultaneously to manage its currency's exchange rate and domestic liquidity. This is a tricky, if not impossible, task. Indeed, a pegged rate usually leads to perverse monetary policies and balance of payment problems whicb invite speculative attacks. When under siege, a peg cannot last unless interest rates are raised to sky-high levels or foreign exchange controls are imposed. Snch episodes usually end after a devaluations session – witness the ERM crises of 1992 and 1993 and the Mexican peso fiasco of 1994.

The international chattering classes' post-Mexico interest in mechanisms to control speculative capital flows doesn't surprise us. Most of these luminaries embrace pegged regimes, which are the very thing that motivates disruptive speculative capital flows. As night follows day, peggers must embrace exchange controls.

We have indeed been vigorous opponents of pegged rates. We have also vigorously advocated floating rates for countries with credihle central banks and unified currency systems for all other countries, regardless of size. Sir Samuel's paradox lost. Either float or unify, a conclusion Sir Samuel shares with us ("How to downsize the US today", January 9).

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UK Labour party would take railways public

From Mr Michael Meacher MP.

Sir, Your leading article on the sale of Railtrack ("Rail privatisation", October 12) suggests that the debate on the future of Britain's railways should "move on" from the issue of privatisation.

You will understand, I hope, if the Labour party does not follow this helpful suggestion. Far from moving on, we intend to continue to campaign against privatisation up to and beyond next April.

This is not just because privatisation is disastrously unpopular and a serious vote loser for tbe Conservative party, although it certainly is. It is also because the railways cannot be run in any planned and efficient way given the structure the government has imposed.

Coherence cannot be regulated into a system with 94 separate units all competing, contracting and co-operating with each otber simultaneously. There can be no efficiency in a system where an individual train service involves a network of contracts between a franchise bolder, a rolling-stock owner, an infrastructure owner and a maintenance company.

The ridiculous incoherence inherent in the privatisation scheme will be extremely expensive. The Commons transport committee has estimated that it will require an additional £600m a year in public subsidy to run the privatised railway at the current level of service.

This money will disappear atraight into the pockets of shareholders, without any benefits to the rail passenger whatsoever.

That is why Labour has repeatedly stated its intention to keep a "pnblicly owned, publicly accountable" rail network in being. Despite your pessimism, it is still quite likely that privatisation will collapse altogether.

Certainly, the ouly reason for Sir George Young, the transport secretary, to raise the possibility of half Railtrack remaining in public hands must be the extreme difficulty the government is facing in making the sale. The asking price is already reported to have dropped from £3bn to little mora than £1bn.

However, if the government finally succeeds in privatising any significant part of the railways, we will produce detailed proposals for the recreation of public ownership and accountability.

Thoae considering buying into a privatised railway should be under no illusion that we will take the necessary action.

Michael Meacher,
shadow transport secretary,
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Nigerian military leaving country exposed to any external threat

From Mr Dele Oguntimoju and Dr Wnllace Ogufere.

Sir, Your editorial on Nigeria ("Nigeria's plight" October 3) is to be commended.

The release of Chief Moshood Abiola would have gone a long way towards healing the wounds which the military has opened up and would probably have made the protracted transition a little more palatable.

As things stand, his incarceration will continue to be a symbol of the damage that has been done to the fabric of the Nigerian society.

There are two realities that have to be grasped if Nigeria is not to return to these crossroads in the future.

The first is tbat the present voting system has proved incapable of producing competent leaders and therefore needs to be reconsidered. The second is that the same spotlight that has been focused on the electoral system must now be turned on tbe military in Nigeria.

Given that most countries in Africa are still struggling to cope with their domestic affairs, they lack the territorial ambitions which plagued Europe up to the second world war. Having no external threats to engage their minds, is it surprising that the focus of Africa's military is on domestic matters?

The danger for these countries is that the military will continue to turn their guns on their own people. The danger for the military is that the discipline of the barracks will become blunted by the trappings of political office and they will be ill-prepared to resist any external threat that may emerge.

The next Nigerian civilian president must not shy away from a drastic scaling-down of this bloated profession. This measure should be coupled with creation of a well-trained civilian reserve force which will be able to answer the call to arms whenever the next threat to our liberty surfaces, whether externally or from the barracks.

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Unnecessary dogfights

The row over shares of work in production of the Eurofighter highlights all that is worst about the European aerospace industry. For far too long the Eurofighter programme has been managed on the basis that everyone must have a share, rather than with a view to the most efficient way to proceed. Examples of components which have been handed back and forth so that everyone can say they have touched them are legion. Eurofighter's board, composed of equal numbers of representatives from all sides, is almost designed to be unable to produce clear decisions. Now many of those involved seem more toterested in status or personal pride than in making aircraft. The Eurofighter partners seem content to fiddle while their market hurns.

Europe scarcely has time to aquabble about who sbould do what to its defence and aerospace industry. The real issue facing it now is the fight for survival in the face of declining world markets and rapid consolidation in the US. Vying for primacy in e project years behind schedule is a luxury its companies can ill afford.

The current row is particularly unnacessary. Germany feels it needs et least e 30 per cent share of production work if the Eurofighter is to be saleable to its parliament, and because it has paid a third of the £12bn development cost of the aircraft. The UK, mindful of that, has offered Germany 30 per cent, even though this will cost the UK £870m of production work to which the project agreement entitles it. However, with an eye to its own electorate, and of the inefficiencies of the project so far, the UK wants British Aerospace to run the programme.

The deal is elegant. It gives the troubled Daimler-Benz Aerospace what it needs most: work in its factories when it is hard-pressed. It brings advantage to BAe, which may do well from exports of the fighter. It also injects some commercial realism and accountability into a project which has been notably lacking in either.

By contrast, the German proposal, which wonld have both Britain and Germany build 140 Eurofighters on the basis of the 33 per cent work shares used in the aircraft's development phase, followed by a review of the situation, would perpetuate the poor management of the project and cause great industrial upheaval later.

Yet the British snggestion is epparently unacceptable in Germany. It is hard to see why. It may be that Daimler-Benz's ambitions would be bruised by having to cede some control to BAe. But equally, it would be tough to sell the notion in Britain that UK taxpayers should pay for £870m of work to be done by well-paid Bavarian workers simply on the grounds of German sensitivities.

Compromises will have to he made if the aircraft is to be built. They are only the simple forerunnera of many similar debates about wbolesale rationalisation of the European industry. Germany should take the Eurofighter deal which is on the table, while there is still an aircraft and an industry to argue about.

Austria's choice

Few will mourn the demise of Austria's latest coalition government. It has achieved little in its last 12 months in office, except to prove that the cosy consensus which has for so long dominated tha country's economic and political life has ceased to function effectively.

In December, Austrian electors should have the chance to make a genuine choice between left and right, rather than simply voting for clans and personalities as they have in the past.

The system of social partnership which provided for a harmonious and fair distribution of benefits during the Cold War, when Austria was a neutral orphan between east and west, certainly gave the country stability, growth and prosperity in those days. But it has ceased to be relevant to the far more open international environment in which Austria functions today, including membership of the European Union. The economy is increasingly open and competitive, but government has continued to be inward-looking.

The fact that the two largest parties, the Social Democrats and People's Party, have been in formal grand coalition for the past nine years, and informal coalition for far longer, has undonbtedly been an important reason for the rise in popularity of the far-right populist Mr Jörg Haider and his Freedom Party. If they are going to resist him, they must offer the electorate clear alternatives.

The two big parties came together to achieve two important goals: they had to solva the crisis of inefficient and overmanned nationalised industries, and they had to lead the country into the European Union. They had largely succeeded in both before last October's general election. Since then, little else has held them together than fear of Mr Haider. They hava looked for all the world like two exhausted combatants propping each other up rather than turning to fight the next contender.

Now et last they have fallen out on clear ideological lines, and on an important issue: how to bring the government's budget deficit under control so that Austria can qualify, as its otherwise sound economy suggests it should, to be one of the founder-members of European economic and monetary union. Mr Wolfgang Schüssel, the People's Party leader, wanted tongher apending curbs in the country's generous welfare budget than Chancellor Franz Vranitsky and the Social Democrats were prepared to swallow.

Voting for Mr Haider would be an nnwise alternative for Austria, although he is not a neo-Nazi, for all his anti-immigrant rhetoric. He is a highly unpredictable opportunist, whose presence in any future coalition would make for unstable policy-making. A minority government of left or right would be better than e coalition including the Freedom Party. A continuation of the present grand coalition would probably be the worst solution of all. Austrian voters want a clear choice, and transparent government.

PFI in focus

It is fashionable, but mistaken, to regard tha UK government'a private finance initiative as a damp squib. Like privatisation in the early 1980s, it has got off to a slow start. It may never prove a suitable vehicle for mnch public-sector investment. But the principles underpinning the PFI are sound, and they could bring significant benefits to both taxpayers and consumers of public services if applied sensibly.

The PFI is widely misundarstood becausa of its association with privatisation. Yet strip out the fast rail link to the channel tunnel, which is *sui generis* although by far the largest project scheduled under the PFI, and it is more meaningfully regarded as an extension of the existing pnblic-sector practice of contracting out the delivery of services to private companies. Whitehall, the health service and local government are accustomed to putting service provision out to tender. For the most part the PFI simply extends contracting-out to the design, management and financing of public-sector investment projects.

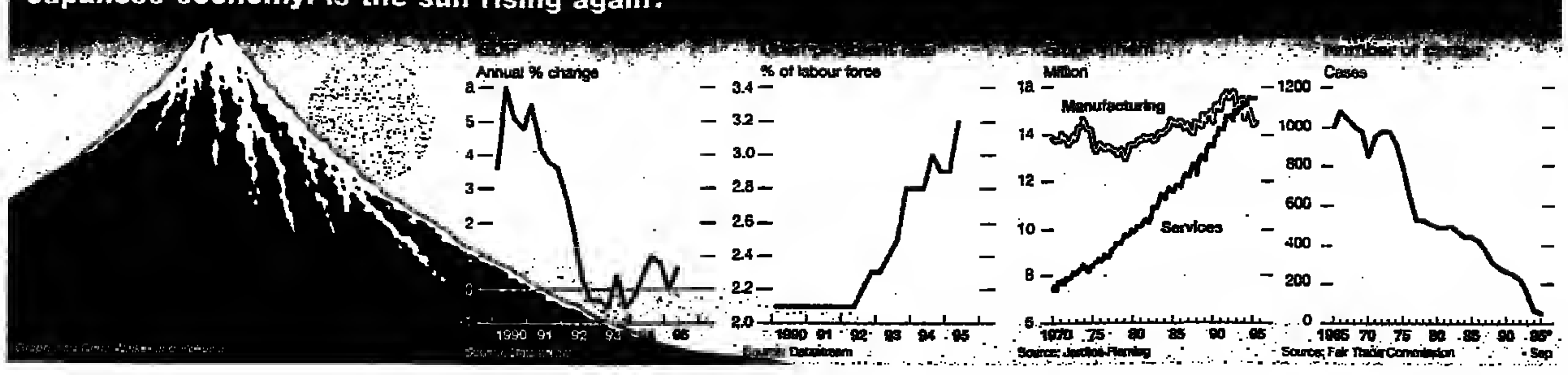
This is no more "privatisation" than is contracting with the private sector for services. Even with private prisons – the most controversial application of PFI, set to flare again with today's report criticising the prison service – responsibility for determining the prison regime and disciplining prisoners lies squarely with the Home Office. A prime benefit of PFI is the engagement of private companies at the design stage, whicb can improve innovation and thus the level of service on offer within the public sector.

The PFI is not a free lunch and the critical test is valua for money. This comprises numerous elements, notably the cost of capital, the cost of service provision and the value of risks being assumed by private operators.

Simply to state these factors is to highlight the absurdity of any generalised comment on the viability of the PFI. The cost of capital is bound to be higher to the private sector. But in many areas improved efficiancy and design, plus the assumption of new risks, will outweigh this extra cost.

Only where the PFI offers real savings on the cost of proceeding on traditional procurement lines should it proceed. Several large projects – notahly the new national insurance recording computer system – have already demonstrated snch savings, but they may not be available in all sectors. Road building appears an especially implausible candidate, given the small scope for passing on new risks and the degree of private-sector involvement in the existing state-fnnded regime.

The PFI faces a paradoxical double risk – that it may never take off, but that if it does it may be pursued to nntenable extremes. Civil servants may be unduly cautious in proceeding because it is untried. On the other hand, ministerial enthusiasm should not be allowed to subvert the careful case by case analysis required to justify recourse to the PFI.



The government's lastest shot of adrenalin may do the trick for Japan's economy, says William Dawkins

Flicker of light on the horizon

Mr Hiroshi Okuda, president of Toyota, Japan's largest carmaker, is for the first time in many years expressing optimism about the Japanese economy. The country, be believes, is starting to emerge from its longest economic downturn in more than 60 years.

"Already we see some favourable trands," he says. "We won't be going back to the high levels of growth that we saw in the 1960s, but at least things are starting to get easier."

Such optimism might at first aeem misplaced. Unemployment remains at record levels, five banks have collapsed this year, corporate bankruptcies have continued to rise to more than 1,300 per month and politics are as confused as ever. But a growing number of business executives and policymakers in Tokyo now dare to see a little light on the gloomy economic horizon.

Until recently, economists were wary of predicting recovery, if only because of tbe risk of being yet again proved wrong. There have been false dawns in each of the past four years; this prospective recovery has yet to prove itself. Gross domestic product has grown in only one quarter this year, the three months to June – hardly enough to establish a trend.

Conditions for doing business remain difficult. Even the mighty Toyota has had to admit that cutting more than Y150bn ($1.5bn) from its annual costs may not be enough, and that it might, for the first time, have to close a plant.

But Mr Okuda and the forecasters are prepared to be more optimistic now because the government has, belatedly, put into place the conditions for an upturn. Panicked by dreadful economic data in July and August, the government last month delivered the largest monetary and fiscal boost in modern Japanese history.

The Bank of Japan halved its official discount rate to 0.5 per cent, the lowest in any lesding economy in postwar years, and pnshed short-term money market rates even lower. On top of this, a formerly parsimonious finance ministry announced a record Y14,220bn pump-priming package, probably worth about 1.5 per cent of gross domestic product in genuinely new spending, and issued a cautious official endorsement of the use of public money to bail out weaker banks.

During this time, leadership of the dominant Liberal Democratic party switched from the emollient Mr Yobei Kooo to the tough Mr Ryutaro Hashimoto, minister of international trade and industry. An expert swordsman and the man who leads the coalition government's economic policy, be bas promised to use "any weapon" to bring recovery.

There is already some evidence thet an upturn is on the way. First, tbere is the recovery in share prices. The 24 per cent rise of the Nikkei 225 index, from its year's low of 14,507 in late June to around 18,000 now, is important for the health of the underlying economy because industrial companies and banks bave large equity portfolios whose performance affects their profits.

This, with the slide in the yen's value – from Y87 to tbe dollar before intervention by the Bank of Japan and the US and German central banks since August to the low Y100s now – has enabled corporate Japan to upgrade its profits forecasts.

According to Nomura Research Institute, the top 400 industrial companies are now expecting 15 per cent growth in recurring profits – before tax and extraordinary items – in the year to next March, much better than the 10.3 per cent they were forecasting a few months ago. A recovery in corporate profits is already well under way, with earnings up for each of the past five quarters.

What really matters for GDP growth is whether companies and individuals start to spend more. Private-sector bank lending started to inch ahead in May, for the first time in more than a year, and has grown every month since then, rising 1.6 per cent in September. Having borrowed more, Japan's top companies have told the BOJ that they plan to increase capital spending by 3 per cent this year, the first rise in four years.

Even with this government shot of adrenalin, bowever, it looks as if the recovery will be meagre. The Bank of Japan, the least unreliable official forecaster, is expecting growth in gross domestic product of between 0.5 per cent and 1 per cent this calendar year. Private-sector forecasts for next year's growtb range up to 2.5 per cent, again slow compared witb tbe figures of between 4 per cent and 6 per cent Japan managed in the late 1980s.

Consumers remain in deep gloom, which is worrying considering that their spending accounts for nearly 60 per cent of the economy; private consumption fell at the end of last year and has been more or less stagnating ever since. Retail sales are still in free fall – down every month this year.

The service sector could unlock tremendous growth as it moves up to world standards of competitiveness

Some analysts, including Toyota's Mr Okuda and some US and Japanese economists, fear the economy will sink back some time in 1997, as the effects of the stimuli wear off. Toyota is basing its domestic output plans on annual economic growth of a mere 2 per cent to 3 per cent for the next decade.

They believe that the government's six stimulation packages since 1992 have merely supported demand, rather than helped resolve the structural weaknesses, such as surplus industrial capacity and inflated property prices, that lie at the beart of Japan's stagnation.

As evidence, they point to the fact that manufacturers are still running et a mere 70 per cent of capacity, according the Ministry of International Trade and Industry. That is nearly 10 percentage points below the level needed to justify a durable rise in investment, estimates Mr Robert Feldman, director of economic researcb at Salomon Brothers Asia. "Any growth we get will come from the sugar in the recent package. But there is no real protein, nothing to generate long-lasting jobs and keep the recovery going," he says.

Pessimists take little cheer from the rise in corporate profits. They attribnte the improvement to cost cutting rather than an increase in demand. Domestic sales are still weak, as are the incentives to invest in new capacity in Japan, they argue.

Moreover, the small rise in capital investment that companies will make this year comes from a very low base. Currently, it is less than needed to keep existing plant from deteriorating, according to Bank of Japan estimates. Thus corporate investment would have to rise much more to create a real lift in demand.

Worse, much of the available money is going offshore. Investment in overseas plants is growing nearly twice as fast as domestic capital spending, the Bank says. Officials accept this as an inevitable consequence of tha declining competitiveness of hasic manufacturing in Japan and warn that it has much further to go, despite the recent fall of the yen.

The proportion of Japanese manufacturing capacity abroad, 11 per cent, is far lower than for other leading economies. The Bank assumes it will eventually rise to levels in line with Germany's 20 per cent or the US's 30 per cent. BOJ officials complain that this inevitable "hollowing out" of Japanese industry will weaken domestic production and jobs.

But most analysts assume that recovery is only a question of time, even given consumers' continuing caution and low capital spending et home. It may not come until the first half of next year, says Mr Isamu Miyazaki, director general of tbe government's Economic Planning Agency, but be is confident of an upturn.

The most optimistic forecasters, including several European economists, believe the rising sun could regain some of its old glory, reaching growth rates of 4 per cent or more. They argue that manufacturing industry has restructured more than is popularly thought. Moreover, the service sector, the weakest part of the economy, could unlock tremendous growth as it follows the example of Japanese manufacturers and moves up to world standards of competitiveness.

One symptom of the extent of restructuring is the rise in imports, whicb overtook exports as a percentage of production for the first time last year – et just over and just under 14 per cent respectively. Last year, tbis led to the first decline in six years of the current account surplus in dollar terms. It is continuing to shrink in 1995, bolding out hopes that the yen's decline may also continue, so helping the competitiveness of manufacturing industry.

The optimists accept that the shift from post-boom trauma to an economy capable of higher growth is incomplete. But, they add, it has gone much further and gained more impetus than most foreign observers realise.

But which way will Japan go? Will it be a modest, mature performer, or emerge, as it has done from other economic sbocks this century, stronger than ever? The answer depends on the will of Japan's politicians to push ahead with economic deregulation, tha secret to medium-term growth.

Deregulation is not especially dear to the heart of the LDP's Mr Hashimoto. For now, ha and other Japanese politicians are focusing on the short term: economic recovery as soon as possible, before they have to face a general election, probably next year. While recovery may be around the corner, there is no guarantee that Japan will rise to new heights as an economic power.

A deregulation benefit

The Concept of Honest Poverty, a manual on how to make ends meet when times are hard, was a best-seller during the depth of Japan's recession.

Its success – 700,000 copies sold in the past two years – showed the extent to which Japanese feel that a moderate dose of economic hardship has been good for the nation.

They may be right. There is plenty of evidence that nearly four years of negligible growth, allied with popular support for economic deregulation, has started to weaken some old barriers to growtb. Monopolies and cartels have taken a knock. Parts of the service sector, the weakest segment of the economy, are now growing faster than manufacturing indnstry, Japan's traditional strength.

The erosion of cartels throngh a mixture of legislation, court action and foreign pressure has initially driven unemployment np, as inefficient companies go bust. But the surge in the number of new businesses in deregulated sectors could lead to a new burst of economic growth – just as to Europe when many trade barriers were dismantled in the early 1990s.

Over the past five years, the Japanese government has quietly dismantled more than 200 monopolies. The number of cartels granted official exemption from anti-monopoly laws bas plunged from 276 at the turn of the decade to 48 at the end of last montb. Recent examples include the supply of electricity. This was formerly limited to a handful of utilities but will be opened to independent companies for the first time from next March. Japan's giant trading companies, formerly excluded from the power cartel, are licking their lips in anticipation. Imports of oil and petrol, oow restricted to an oligopoly, will be open to all comers from next April.

Competitive pressures are being felt even to areas such as telecommunications and agriculture, traditionally dominated by powerful interest groups. Nippon Telegraph and Telepbone, the world's largest company, has a monopoly of local calls bnt ls struggling against renewed pressure from its government owner to separate its local and long distance businesses. And part of the rice market was opened to imports for the first time in January (though only a mere 4 per cent of it).

Japan is still a long way from the service boom that transformed the US economy in the 1980s. But there is evidence that something is on the move: since the middle of last year, Japan's service sector has for the first time employed more people than manufacturing.

Typically, the employees work for small, entrepreneurial service companies, whicb have demonstrated their vitality by flocking to the over-the-counter market to raise equity capital in record numbers. Among the top OTC sbare price performers are a software dealer wbicb recently formed a partnership with Microsoft, a microchip distribntor, a management training company, a cbain of sushi bars and a pest controller.

The number of companies quoted on the OTC rose by nearly 100 to 636 in the year to September, while the amount of venture capital invested in Japanese businesses grew by 70 per cent last year. Such figures challenge Japan's image as a country short of entrepreneurs, and provide evidence of the changtog structure of the economy.

OBSERVER

The final frontier

■ "Flown" is a word with special cachet among the collectors expected at the Beverly Hills auctioneer Superior Stamp & Coin's sale at the end of the month. They are "the sort of people who would have collected a piece of Columbus'a Santa Maria if they'd been around," says the man from Space.

Space is a special department in the auction house, devoted to … space. "Flown" is a cataloguer'a term for an item which has been out there and made it back.

Take, for example, three pages from the flight journal of a Soyuz TM-2 cosmonaut, containing what "may have been the first songs composed in space". That particular lot has an estimate of $350-$500, about tha mark for much of the stuff on offer, which also includes a "flown [Apollo 6] cleaning towel provided for astronauts to maintain clean hands and faces after a meal". Unused it may be, it still has all the appeal of an airline sickbag to any normal person.

But, according to the man from Space, these punters are all super-normal, mainly baby boomers who grew up when space flight history was being made. They have bought bits of the moon, paid around $500,000 for a full space suit, and are expected to cough up $350 for a pair of used shoes.

An odd glove, described as discoloured, flown, left-hand, early and rarely seen [vintage Soyuz 25] might fetch $3,500. But the biggest bids are expected for paintings – presumably un-flown – from astronauts Alan Bean and Alexei Leonov.

It's a tough life

■ Last week Rupert Murdoch, the international media owner, and Paul Keating, Australia's prime minister, had a tiff. On Tuesday, Murdoch said Australia'e economy was a "disgrace". Next day, Keating – less than six months away from an election – strongly defended his record. At the weekend Murdoch backed off, saying that he made the remark in the course of a "rather freewheeling discussion which developed with about 20 journalists", but added that he didn't "really take it back".

What's this all about? We may never know. But *The Australian* newspaper – proprietor, Rupert Murdoch – has now informed readers that Ken Cowley, who runs Murdoch's operations in Australia, telephoned Keating on Wednesday. He told the prime minister that "the remarks were made at an impromptu press conference after an arduous annual meeting, and were not meant to send any political signal".

Arduous? The meeting, which in any case seven directors failed to attend, nodded through a number of motions, including ona on directors' share options. Not one shareholder raised a question or registered a contrary vote. If that's arduous, you can keep easy …

A 4 x 4 pile-up

■ Red faces at Gothenburg, home of Volvo, Sweden's biggest car manufacturer?

At last month's Frankfurt Motor Show, executives proudly unveiled their new S4 saloon, the first of a string of uncharacteristically curvaceous Volvos, emphasising their novelty by dropping Volvo's traditional three-digit identification in favour of a combined letter and number. There were mutterings that Audi did it first, with its new A4, A6 and A8 models, hut Volvo's top brass denied accusations of plagiarism, or risks of confusion.

But e month is a long time in the motor industry. Now Volvo is looking for a *new* name, after Volkswagen, Audi's parent company, made some unhappy noises. Although it's a moot point whether there can be copyright over such a simple designation, Volvo has decided not to push the point. After all, VW does supply it with diesel engines …

In vino furious

■ To boycott or not to boycott, that is the question. French wine, that is, in protest at French nuclear testings. You don't like the tests, but can't stand giving up the burgundy. What do you do?

Perhaps consider the solution developed by Andy Ayers, owner of Riddles Wine Bar in University City, Mississippi. He's decided to continue selling French wines but to donate 10 per cent of total sales to Greenpeace, the better he says "to raise a stink around the test site".

His wine sales have increased by 12 per cent, lovers of French wine sleep easier at night and – needless to say – Greenpeace is delighted.

Ticklish situation

■ The overwhelming acclaim by Iraqi citizens of President Saddam Hussein in yesterday's vote for some peculiar reason reminds Observer of an old joke.

Joseph Stalin was ebout to make e speech to serried ranks of comrades when auddenly there was a sneeze. "Who was that?" barked the great dictator. No reply. "Take the first rank out and shoot them," be said. He was about to carry on when there was another sneeze. "Who was that?" he repeated. Again no answer. "Take the second rank out and shoot them," he ordered.

So it carried on until only the final rank was left. There was another sneeze. This time, the guilty party stepped forward. "Comrade Stalin, it was me," said a small voice. "Bless you," said Stalin, and carried on speaking.

The Financial Times

100 years ago

Banker strikes correspondent
An incident which caused some sensation occurred on the Paris Bourse yesterday afternoon. One of the partners of a Paris banking house went up to a financial correspondent of a German newspaper who had sent to his journal some unfavourable criticisms on the former'a firm, and struck the correspondent on the face. The Special Commissioner of Police on duty at the Bourse refused to interfere.

50 years ago

Sweden and Soviet trade
Nearly a year has passed since Finland laid down her arms, thus reopening a direct route between Sweden and the Soviet Union. Yet the volume of trade between the two last-named countries is reported still to be negligible. An abrupt end to the trade relationship between the two countries came as a result of the Nazi invasion of Soviet Russia. As soon as a resumption of transport became possible, goods ordered by Russia which had been stored in Sweden since 1941 were shipped to the U.S.S.R. But the Soviet authorities have shown little interest in further imports from Sweden

FINANCIAL TIMES
Monday October 16 1995

Minority government falls after parliament rejects confidence vote

Çiller forced out as Turkey's PM

By John Barham in Ankara

Mrs Tansu Çiller, Turkey's prime minister, yesterday lost a vote of confidence in parliament by a wider than expected margin and was forced to resign, pitching the country deeper into political confusion.

President Süleyman Demirel must now oversee the formation of a caretaker government to run the country until a general election can be held.

Only 191 of the 421 MPs supported Mrs Çiller's conservative True Path party (DYP). The government's collapse became inevitable after a small leftwing party withdrew its support barely one hour before MPs started voting.

Although the largest party in parliament, the 177-strong DYP lacks an overall majority and has been weakened by a damaging rebellion in its ranks. Moments after conceding defeat, Mrs Çiller told parliament that the DYP would take part in the new government. "No government can emerge without the DYP," she added.

However, she now faces a fight for the party leadership. Mr Hüsamettin Cindoruk, former speaker of parliament and her bitter opponent, is expected to be her principal challenger. But Mrs Çiller retains a strong grip on the party.

Mr Sedat Ergin, Ankara bureau chief of Hürriyet, a leading newspaper, warned: "You cannot underestimate her political guts. She is a survivor, she is tough and resilient."

Mrs Çiller or another True Path leader will probably now attempt to form a new coalition government as caretaker prime minister. Alternatively, Mr Demirel could call on the conservative opposition Motherland party, the second largest group in parliament, to lead a coalition.

If all else fails, Mr Demirel himself could pull together a caretaker coalition in which each party would be awarded cabinet portfolios in proportion to its seats in parliament.

Turkey's political crisis began on September 20 whan Mrs Çiller's unstable two-year-old coalition collapsed following a dispute with her junior partner, the Peoples Republican party (CHP). She managed to form a minority government two weeks later with the support of two small parties.

It was this government that parliament rejected yesterday after one of the parties, the Democratic Left (DSP), withdrew its support for Mrs Çiller. This was because she refused to concede large wage increases demanded by striking public-sector workers.

It was unclear yesterday how soon elections could be held. Mrs Çiller wants a poll before the end of the year. Commentators point out, however, that extensive preparations would be necessary, making an election unlikely before May.

Observers were also uncertain how the deepening political confusion would affect the economy and Turkey's relations with the European Union.

Ratification of a landmark customs union with the EU depends on the parliament's amending the country's strict security laws. Observers are divided over the likelihood of the trade agreement's coming into force on January 1 next year as planned.

Waigel orders clampdown on spending

Most payments of more than DM1m will need finance ministry approval

By Michael Lindemann in Bonn

Mr Theo Waigel, Germany's finance minister, has ordered a clampdown on government spending to combat lower than expected tax revenues. He is demanding that all government ministries get special approval for payments this year of more than DM1m ($600,000).

All planned expenditure for next year which exceeds DM10m will also need extra permission, the finance ministry said. Measures which are likely to create jobs – construction projects, for instance – will be exempted, as will payments which ministries are legally obliged to make.

The finance ministry said earlier that it expected a revenue shortfall of around DM20bn for this year and next but would have more precise figures on Wednesday when a special tax commission was due to report.

Mr Waigel warned recently that tax revenues would be less than expected, mainly because inflation was lower than projected and gross domestic product growth this year had slipped to 2.5 per cent, from a predicted 3 per cent.

The restrictions will lend extra weight to Mr Waigel's repeated assurances that the federal government will stick to its forecast budget deficit of DM49bn for this year and DM60bn for next year.

Such spending curbs are rare. The finance ministry said such blanket measures had last been used in 1986 when Mr Gerhard Stoltenberg was finance minister.

Under budgetary legislation, Mr Waigel was entitled to order restrictions without consulting the cabinet, the ministry said, adding that he would again urge other government departments to make further savings.

Mr Waigel's warning about tax shortfalls comes after figures showing that tax revenues increased by only 3.4 per cent between January and August. As recently as May, the government's working group on tax inflows said it expected revenues to rise by 8.3 per cent this year.

The checks on spending are likely to reassure markets and also won Mr Waigel praise from within the ranks of the government coalition. Mr Adolf Roth, budgetary spokesman of the Christian Democratic party, sister party of Mr Waigel's Christian Social Union, welcomed the restraints as evidence of a "decisive budgetary policy".

He said the restrictions meant the government would now shed 4,500 civil service jobs next year, rather than the 3,000 originally announced.

However, the liberal Free Democratic party, junior partner in the government, yesterday demanded further measures to combat the tax shortfall. Mr Guido Westerwelle, the party's general secretary, said the constitution should be changed so that federal, state and local budgets had to be balanced.

New York and London law firms prepare for mergers

By Robert Rice, Legal Correspondent

Leading New York and London commercial law firms are believed to be preparing for a series of mergers similar to those which led to the creation of the big six accountancy firms in the 1980s. Among the first believed to be considering such a move are Davis Polk & Wardwell, a leading New York firm, and Freshfields, the UK-based international law firm.

The factors said to be driving the move towards transatlantic mergers are increased competition between US and UK firms for the lucrative international privatisation and project finance work and new demands from multinational clients for their law firms to provide a global service which few have the resources to meet on their own.

Traditional referral relationships under which City of London firms referred the US element of large deals to a leading New York practice and New York firms reciprocated by referring the UK end of transactions to London have become strained in the new competitive climate.

This has resulted in US and UK firms poaching each other's lawyers to handle both the UK and US aspects of a deal themselves.

Most lawyers in the leading US and UK firms believe transatlantic mergers are now inevitable. According to Mr Bill Tudor John, senior partner of Allen & Overy: "The main international practices have to have English and New York law capacity – clients like to have the choice. So, it seems to me that pressure will drive people to solve the problem by merger."

Freshfields and Davis Polk & Wardwell are believed to have already established a sizeable lawyer exchange programme. Freshfields is also reported to be looking for 30,000-40,000 sq ft of office space near its London headquarters. That, competitors say, is more than it would need to meet its own projected growth in the short term.

Another factor in the timing of any move is that both Mr John Grieves, senior partner of Freshfields, and Mr Henry King, senior partner of Davis Polk, are due to retire in May next year.

A merger between these two partnerships would create a combined firm of almost 1,200 lawyers with an annual turnover of about £300m ($471m) and could force rivals such as Linklaters & Paines, Clifford Chance and Allen & Overy in the UK and Sullivan & Cromwell and Shearman & Stirling in the US to follow suit.

Urge to merge over the Atlantic, Page 16

Croatian attack feared

Continued from Page 1

not want to hinder the efforts of the international community, but we can no longer tolerate any postponement of a settlement."

In Croatia, where Mr Tudjman controls most of the media, there is no sign of official interest in reconciliation with Croatia's Serb population.

On the contrary, the government has passed a law seizing property owned by Serbs and has dismissed allegations of violence against Serbs with remarks such as "these things happen in wars".

Yet international observers speak of a continuing campaign of murder of Serb civilians who have remained in Krajina.

Meanwhile, in north-west Bosnia, fierce fighting flared between the mainly Moslem Bosnian government troops and Serb forces yesterday in spite of a ceasefire signed four days ago, news agencies reported. The UN was unable to confirm the reports.

THE LEX COLUMN

Investment zoology

The traditional European fund manager is a herbivore. Even big British funds, with weight to throw around if they wish to, would rather run away from problem companies than attack them. But, in recent years, the European investment jungle has started to change. Gadflies and carnivores are evolving indigenously, a few adventurous omnivores are crossing the Atlantic and some European funds are developing a taste for red meat.

All the species share the philosophy of shareholder value but, otherwise, they have little in common. Not only is shareholder value open to different shades of interpretation; the tactics employed to achieve it vary widely.

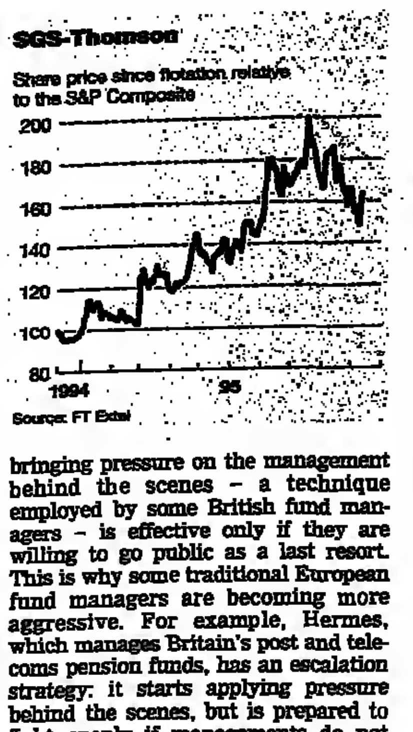
Take the gadflies – like France's association for the defence of minority shareholders, Britain's PIRC and the band of activists led by Germany's Professor Ekkerhard Wenger. These groups rarely control many votes, but are effective campaigners, prodding managements and grabbing media attention on populist issues such as executive pay.

The carnivores – such as Switzerland's Mr Martin Ebner and the UK Active Valne Fund – have another approach. They specialise in buying significant minority stakes in companies and then agitating for changes with the aim of driving up returns.

Omnivores, such as Calpers, the largest US pension fund, have yet another mode of operation. They do not invest in companies with the aim of agitating for change; but if they find that their investments are underperforming, they do not shy away from a public fight either. The Americans have in the past kept their activism for their home market. But as more of their funds are invested in Europe, they are seeking to export their activism as well.

The traditional European fund manager finds the new species disconcerting. He worries that the gadfly is more interested in pursuing political agendas than advancing shareholders' interests; that the carnivore's taste for the quick kill could damage longer-term investors; and that the Americans will blunder because they are heavy-handed – Mr David Herro's intervention in the Saatchi & Saatchi saga is the favourite example.

There is sometimes validity in these concerns. But the passive approach has its weaknesses too. For the biggest investors, bailing out an underperforming company is not an attractive option, as it may trigger a sharp decline in the share price. Meanwhile,



bringing pressure on the management behind the scenes – a technique employed by some British fund managers – is effective only if they are willing to go public as a last resort. This is why some traditional European fund managers are becoming more aggressive. For example, Hermes, which manages Britain's post and telecoms pension funds, has an escalation strategy: it starts applying pressure behind the scenes, but is prepared to fight openly if managements do not respond.

Evolution in the European investment jungla has not stopped. More herhivores will develop a taste for meat. Meanwhile, US investors may have to tone down their aggressive rhetoric – as Calpers has already found – if they are to make common cause with the big European funds. But while some convergence of approach seems likely, diversity will continue. There will still be a role for the carnivore and the gadfly.

Scholl

Shareholders at Scholl, the UK foot care business, face an intriguing choice. After years of rights issues, restructurings and profit warnings, a group of opportunistic investors has presented a vision of a rapid and profitable exit. The UK Active Value fund (UKAV) has asked shareholders to appoint new directors, who will put Scholl on the auction block.

The principle of pushing management to deliver shareholder value is sound. But UKAV may have picked on the wrong management. A new chief executive was recently appointed and a restructuring programme will bring cost savings. The Scholl brand is being rationalised, Asian distribution agreements are being signed and Scholl recently demonstrated it was back on a strong growth track.

The crux of UKAV's argument is that Scholl is too small for its distribution system. Distribution costs at Scholl were 67 per cent of last year's gross profits; consumer product groups with overlapping product ranges could clearly take some of that out. Nonetheless, forced sell-offs do not attract the highest prices and are highly disruptive. Besides, Scholl does not have rights to the brand in the US and Latin America, limiting its attraction to the multinationals.

Given that UKAV has already highlighted Scholl's attractions as an acquisition target, any bidders will presumably make themselves known. The Scholl management has a duty to listen to serious buyers, and institutional investors have reminded them of their obligations in this respect. The UKAV proposals look redundant.

SGS-Thomson

SGS-Thomson is one of Europe's most unlikely success stories. The company was formed in 1987 from the merger of struggling French and Italian state-owned semiconductor manufacturers. But continuing government ownership did not spawn the bureaucratic culture that would have meant death in the world's fast-moving chip industry; instead, entrepreneurial management was allowed to improve the business, making it strong enough for a stock market flotation last December. Since then, the share price has more than doubled. And with the company set to earn over $500m this year, it is coming back to the market with another $850m share offering.

As a potential investment, there are obvious negatives. SGSThomson is so hungry for cash to satisfy an investment programme running at $1bn a year and rising that it pays no dividend and is likely to continue issuing equity. Moreover, the chip industry has a notorious habit of lurching from feast to famine. Finally, with the stock rising so rapidly in 10 months, there may seem little further upside.

But there are also positives. SGS-Thomson has no exposure to D-Rams, the commodity memory chips most *susceptible to boom-bust cycles*; its expertise is in customised chips where competition is less intense. Moreover, the shares still trade on only 12 times this year's earnings – a discount to most of its US peers. As Europe's only sizeable pure play in chips, SGS-Thomson is worth a buy.

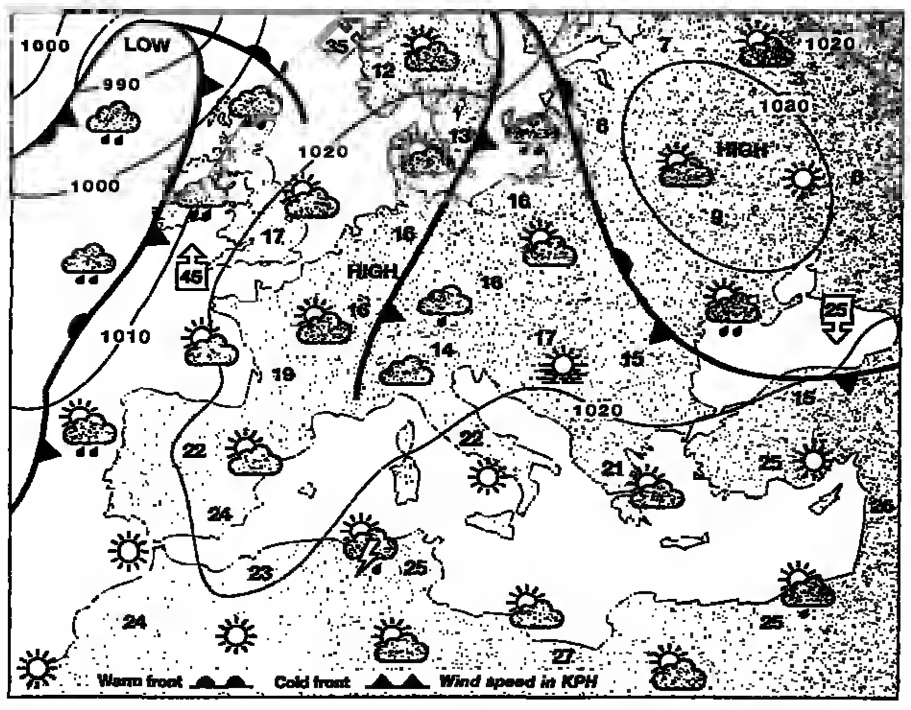
FT WEATHER GUIDE

Europe today

A series of Atlantic depressions will track north-east towards the sea between Iceland and Norway. Ireland and Scotland will heve outbreaks of rain and strong breezes, while England and most of mainland Europe will remain dry. The Benelux and France will have sunny periods and some morning fog. Maximum temperatures will vary from 16C in northern Europe to 21C in southern France, while central Europe will be cloudy, with showers in some areas. The northern Balkan states will have some rain. The Mediterranean will be mainly sunny with temperatures of 20C-25C. The Balearics may have thundery showers.

Five-day forecast

There will be little change in most regions. High pressure will bring widespread calm, dry conditions and sunshine, but some areas will be cloudy with persistent fog. Temperatures will fall slightly, and southern Scandinavia will become much cooler with outbreaks of rain. The northern UK will remain unsettled.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	35
Accra	fair	30
Algiers	thund	22
Amsterdam	fair	18
Athens	fair	22
Atlanta	sun	22
B. Aires	fair	21
B.ham	cloudy	16
Bangkok	rain	34
Barcelona	fair	22
Beijing	shower	20
Belfast	rain	17
Belgrade	cloudy	18
Berlin	drzzl	16
Bermuda	fair	29
Bogota	cloudy	19
Bombay	thund	32
Brussels	fair	15
Budapest	hazy	17
C.hagen	cloudy	13
Cairo	fair	29
Cape Town	sun	25
Caracas	thund	31
Cardiff	cloudy	18
Casablanca	sun	23
Chicago	sun	13
Cologne	fair	16
Dakar	sun	31
Dallas	sun	29
Delhi	sun	35
Dubai	sun	36
Dublin	rain	17
Dubrovnik	sun	24
Edinburgh	cloudy	15
Faro	sun	23
Frankfurt	cloudy	18
Geneva	fair	18
Gibraltar	sun	22
Glasgow	rain	16
Hamburg	cloudy	16
Helsinki	rain	8
Hong Kong	fair	26
Honolulu	fair	31
Istanbul	shower	18
Jakarta	fair	32
Jersey	fair	17
Karachi	cloudy	34
Kuwait	sun	35
L. Angeles	fair	24
Las Palmas	sun	26
Lima	cloudy	19
Lisbon	sun	22
London	fair	17
Lux.bourg	fair	15
Lyon	fair	19
Madeira	fair	25
Madrid	fair	22
Majorca	thund	22
Malta	fair	24
Manchester	fair	18
Manila	thund	31
Melbourne	sun	24
Mexico City	cloudy	17
Miami	thund	29
Milan	fog	16
Montreal	shower	11
Moscow	sun	4
Munich	rain	15
Nairobi	fair	27
Naples	sun	26
Nassau	thund	31
New York	sun	15
Nice	fair	22
Nicosia	sun	28
Oslo	fair	13
Paris	fair	18
Perth	shower	22
Prague	drzzl	15
Rangoon	shower	33
Reykjavik	rain	7
Rio	rain	24
Rome	sun	24
S. Frsco	sun	22
Seoul	fair	21
Singapore	thund	32
Stockholm	cloudy	13
Strasbourg	cloudy	16
Sydney	fair	22
Tangier	sun	23
Tel Aviv	fair	27
Tokyo	rain	23
Toronto	shower	10
Vancouver	rain	13
Venice	sun	21
Vienna	cloudy	18
Warsaw	drzzl	12
Washington	fair	18
Wellington	shower	14
Winnipeg	fair	11
Zurich	rain	15

FINANCIAL TIMES
COMPANIES & MARKETS

Monday October 16 1995

MARKETS THIS WEEK

MARTIN WOLF:
ECONOMIC EYE
Diverting subsidies from state-owned enterprises (SOEs) would have increased central government spending on education by 50 per cent in Mexico, 74 per cent in Tanzania, 160 per cent in Tunisia and 550 per cent in India. These countries may face overwhelming political obstacles to reforming their wasteful SOEs. If so, rich countries may confront equally overwhelming political obstacles to providing them with aid. **Page 22**

PHILIP COGGAN:
GLOBAL INVESTOR
We are in the dog days of October. The US stock market, after a long bull run, has shown signs of wobbling. Share valuations, on some measures at least, look stretched by historical standards. Throw *in the heavy takeover activity* and some evidence of speculative fever, notably in examples such as the Netscape launch, and it is tempting to look for similarities with 1987. **Page 22**

BONDS:
The UK government bond market had a rough ride last week, and things are not likely to get any easier over the next few days. **Page 26**

EQUITIES:
Korean companies can be confident that foreign investors will snap up their offer of a total of $860m in depositary receipt (DR) issues during the fourth quarter of this year. **Page 24**

EMERGING MARKETS:
One word has dominated Brazil's capital markets for the past 18 months and will continue to dominate them well into next year: reform. **Page 25**

CURRENCIES:
The main event this week will be the Bundesbank council meeting, but this is expected to leave German interest rates unchanged. **Page 25**

COMMODITIES:
On Wednesday the German aluminium association will give a press briefing to review performance in 1995 and give its view of the outlook for 1996. The former should be straightforward, but the latter could present difficulties. **Page 22**

INTERNATIONAL COMPANIES:
Mr Carlo De Benedetti, chairman of Olivetti, will be forced to accept a cut in his indirect stake in the Italian computer group because of banks' reluctance to back capital increases by his two holding companies, Cir and Cofide. **Page 21**

UK COMPANIES:
Sir John Banham, former director general of the Confederation of British Industry, will today become a non-executive director of Kingfisher, the retail group battling to restore profits growth, and will take over as group chairman early next year. **Page 20**

STATISTICS

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McGraw-Hill considers publishing move

By Raymond Snoddy in London

McGraw-Hill, the US financial service and information group, is coosidering an expansion into electronic academic journal publishing to confront specialists in the field such as Reed Elsevier, the Anglo-Dutch group.

McGraw-Hill, which publishes Business Week, believes it can publish high-quality academic journals much more quickly and economically than the traditional groups in the field.

Reed Elsevier has increasingly specialised in business, professional and academic journal publishing because of the high margins and strong cash flow generated. It has put most of its more general media interests, such as consumer books and regional newspapers, on the market.

Mr Joe Dionne, chairman and chief executive of McGraw-Hill says academics have to wait as long as 18 months to get their papers published in the most important journals. "If you take this [computer] technology, have someone submit his research, have it reviewed by knowledgeable people, the process could be done in a week or two weeks," said Mr Dionne, who believes that the entire process of research and development could be speeded up as a result.

The McGraw-Hill chairman believes competition could be brought to the sector once someone with a good imprimatur says they intend to produce electronic academic journals.

"We don't have anything to lose because we don't have journals of that nature so it might be a reasonable thing for us to do," Mr Dionne said.

He has approached some societies, such as the Society of Physics and the Society of Chemistry in the US. "I believe there is a very real possibility that it is going to happen over the next five years," said Mr Dionne. McGraw-Hill, whose other interests include financial services snch as Standard & Poor's debt rating business, is also planning to offer its financial expertise directly to the consumer. In the past its financial information has been mainly aimed at professionals. "We are trying to create a financial network for the home where we will advise individuals about the world of finance," said Mr Dionne.

The company was also looking at ways of reaching the consumer directly with multimedia educational products.

Interview, Page 9

A new collaborative management structure struggles to prove its competitors wrong

Interbrew takes time to improve Labatt flavour

Competitors delivared a harsh judgment of Interbrew when the Belgian brewer of Stella Artois paid C$2.7bn (US$2bn) for John Labatt, the Canadian brewer, this year.

The price was too high, the target too small in the North American market, the synergies too doubtful and the deal too big for an inexperienced cross-border bidder, some said.

They spoke from experience. Not only had they closely considered bidding for Labatt but they too were rushing to forge corporate strategies for an industry trying to globalise.

Their perplexity has deepened over the past few months: Interbrew chose to keep Labatt as a stand-alone entity; it arranged short-term financing for part of the deal to minimise the interest burden; and the Belgian company also suddenly lost its chief executive, Mr Hans Meerloo.

A new management structure had left Mr Meerloo as one of four equals, none of whom was chief executive, reporting to a non-exacutive chairman. Other brewers speculated he fell out over strategy with some shareholders in tha da Spoelberch, Van Damme and de Mevius families which own Interbrew. But the company said that was untrue.

There was a "real consensus" on buying Labatt, said Mr Paul De Keersmaeker, Intarbrew'a chairman.

Interbrew said Mr Meerloo quit a few weeks ago because he had achiaved his goals in his fiva years at Interbrew. He is credited for developing an international strategy for a business created only seven years ago by the difficult merger of Belgium'a Stella Artois and Jupiler breweries.

But it was not substance but styla that isolated Mr Meerloo from soma of his colleagues and shareholders. His increasingly autocratic methods, aome colleagues said, went down badly in a family-owned company run by cousensus management. The friction came to a head with the Labatt deal. "Hans wouldn't play the team game," one colleague said. A trio of senior executives steered the deal through.

Mr Meerloo is the second chief executive of Interbrew to quit in the past seven years. If his behaviour was born of frustration with the company's methods, then Labatt's executives could suffer culture shock.

The advantages for Interbrew of buying Labatt were clear: it gained a North American presence through leadership of the Canadian markat, a small US brewer (Rolling Rock) and a 22 per cent stake in Femsa, the slightly smaller gronp in the Mexican beer duopoly. Moreover, they could sell each other's beers.

"Interbrew did much more due diligence than any other parties, five-fold more," said Mr Hugo Powell, chief operating officer of Labatt and now Interbrew Americas. "The Interbrew team developed a great comfort with the earnings projections I provided. All the others had a very conservative view of the future."

Labatt had out-performed those forecasts since the sale, he added. Labatt has lifted its Canadian market share from an average of 44.4 per cent in the 12 months to April to an average of 45.1 per cent for the 12 months to August 31. It has pushed its operating profit margin to 23 per cent and lifted profits 10 per cent.

The results were better than anticipated, said Mr Johnny Thijs, chief operating officer of Interbrew Europe/Africa/Middle East and Mr Powell'a opposite number in the new management structure. On aynergy, "Hugo and I are looking at certain areas, at what we can do with each other's brands on each others' continents. There are soft synergies which will add value to Labatt. We're testing concepts and products ... but we're in no hurry."

Disposals, mostly Labatt'a Canadian broadcast and sports assets, should knock Interbrew's net purchase price below C$2bn for the equity but it has also taken on about C$1.3bn of Labatt debt. The Belgian company has financed a large part of the deal with very short-term commercial paper with maturities from seven days to one year and medium-term notes up to eight years.

Interbrew said it was comfortable with the short maturities and floating rates because it was saving abont 2-2¼ percentage points compared with locking in longer bond interest rates. Operating profits of the enlarged Interbrew would only cover interest costs 2.3 times next year, rising to three times soon after, Mr Thijs said.

Another big management challenge is brand building. Buying Labatt catapulted Interbrew from 18th to seventh in world production. Of the companies above it, only Anheuser Busch and Miller of the US and Heineken have global ambitions. But they all have far better known brands than Interbrew.

Interbrew has international experience but soma of its most impressive examples of brand building have been done by its licensees – Whitbread, for example, has made Stella Artois the leader in premium lager in the UK. Moreover, it has done about 15 cross-border corporate deals to recent years, notably in eastern Europe, but of much smaller scale than Labatt.

The two chief operating officers said the new management structure could handla these challenges. "Don't read too much into titles," Mr Powell said when asked for an example of such a large company run withont a chief executive. He likens Interbrew's collaborative structure to that of Unilever, his management alma mater. Mr Thija said he was working vary closely witb Mr Powell. In the unlikely event of a difference of opinion, "the chairman will help decide".

The name Keersmaeker atill appears on Belgian beer bottles, but Mr De Keersmaeker's family sold its own brewery to Danone of France about 20 years ago. The chairman, 65, was a career politician, retiring from the Belgian cabinet four years ago and from his parliamentary seat this summer. He joined the Interbrew board three years ago, becoming chairman in March 1994.

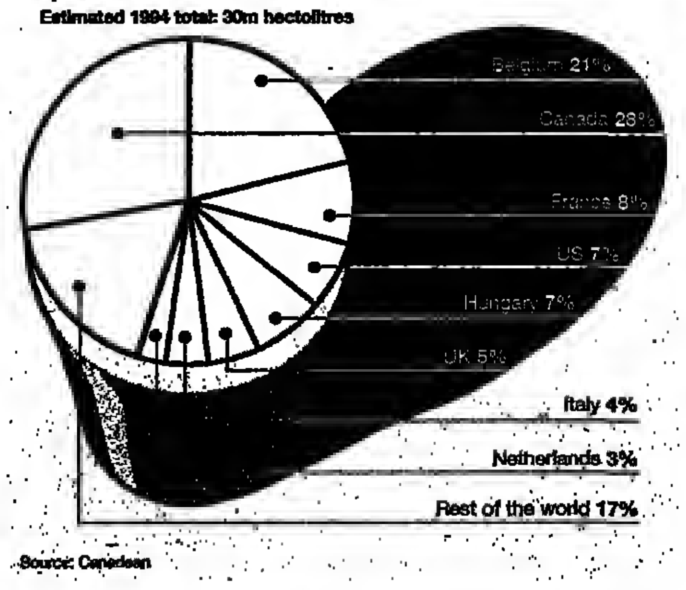
To this trio falls the task of proving wrong Interbrew's international competitors.

Roderick Oram,
additional reporting from **Conner Middelmann and Bernard Simon**

New Interbrew: a taste

1994-95	Interbrew	Labatt	Total
Revenue	BFr48.68bn	C$1.80bn	
Net profit	BFr2.98bn	C$155m	
Net sales (hectolitres)	17.6m	18.1m	35.7m
Employees	8,143	5,700	13,843

New Interbrew world beer sales
By volume
Estimated 1994 total: 30m hectolitres



Source: Canadean

GEC denies Weinstock decision

By Bernard Gray, Defence Correspondent

General Electric Company of the UK yesterday denied that it had chosen a successor to Lord Weinstock, the company's managing director, following speculatioo that Mr George Simpson, the chief executive of Lucas Industries, was favourite to take over management of GEC.

"Lord Prior [GEC's chairman] has made it clear that the company bas not made a choice about a successor to Lord Weinstock and an announcement is unlikely before the spring of 1996," the company said. GEC said reports that Mr Simpson was slated to take over were "pure speculation". While GEC refused to say wbether or not it had approacbed Mr Simpson, ontsiders say the Lucas chief executive is on a list of potential candidates to succeed Lord Weinstock.

However, any approach from GEC would put Mr Simpson in a difficult position. He is known to have high ethical standards and would not want to damage Lncas, whicb be joined from Britisb Aerospace 18 months ago.

His hands may be tied by his service agreemeot, wbicb is thougbt to specify that after two years either side can terminate the contract at a year's notice.

Mr Simpson is likely to want to complete two years before considering any offer, or giving the company any indication that he might move. As a result, speculation that be may join GEC could be enough to break off any preliminary contacts which GEC might wish to make.

Mr Simpson is highly regarded in the City and industry and is credited with turning round the Rover car company while at British Aerospace.

GEC has been searching for a replacement for Lord Weinstock as managing director for the past year. Tbe oompany is thought to have a number of candidates in mind. In spite of this, the lengthy recruitment process has attracted criticism, and led Lord Prior to say an announcement was not likely until next year.

One GEC director, Mr Richard Reynolds, chairman of the telecoms subsidiary GPT, has been critical of the way the management succession bas been handled, and has written to Lord Prior about the issue.

This week: Company news

NOKIA

Ringing up higher numbers will calm fears

Nokia, the shining star in Finland's corporate firmament, will be looking to burnish its glow when it reveals figures for the first eight months of the year on Thursday following last week's downward lurch in technology stocks.

Shares in the telecoms group, which has grown spectacularly on the back of its mobile telephony business, were hit hard after its US rival Motorola reported flagging mobile sector sales in the US and downward pressure on prices. Nokia shares tumbled FM20 last Tuesday to FM252 as investors fretted over how long the group could sustain its recent performance.

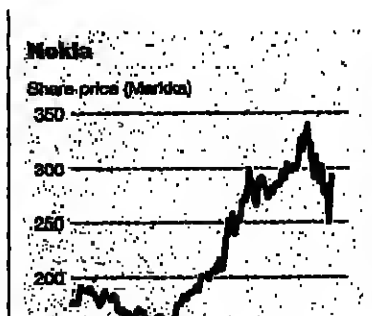
With eight-month pre-tax profits (excluding one-off gains) expected to exceed FM3.5bn ($812m), against FM2.3bn, Nokia should go some way towards calming nervousness.

The share price has already bounced back, recovering all its lost ground by Friday as the initial worries sparked by Motorola'a comments subsided.

Although Nokia – and its Swedish rival Ericsson – were caught in a herd-like dash to sell after the Motorola results, most analysts believed the reaction was unjustified for the Nordic companies. The trends pointed out by the US group mainly concerned markets in the US based on analogue mobile technology, while Nokia and Ericsson are more firmly entrenched in the much faster-growing digital sector.

Nokia'a growth has been so rapid as it has built a 20 per cent share of world mobile handset sales – profits in the first four months doubled and sales rose 50 per cent – that questions will be asked over how long it can go on. Key issues are what the effects will be of narrowing profit margins in mobile handsets and the decision by some operators in the US's new PCS network to opt for operating systems not supplied by Nokia.

Nokia
Share price (Markka)



Source: FT Extel

OTHER COMPANIES

US banks appear on steady ground

For most of the US banks which report their latest earnings this week, the three months to the end of September will bear the hallmarks of other recent periods: steady growth in loans, further slight reductions in net interest margins, and no indications yet of worsening loan loss experience.

Among money centre banks, trading profits could be better than a year ago, as J. P. Morgan demonstrated with a 22 per cent jump last week. Banks which report figures today include Chase Manhattan, which is expected to see earnings per share slip to $1.35-$1.45 from $1.49 a year ago, and NationsBank, which should advance to around $1.80 from $1.55. Tomorrow, Citibank is expected to record earnings of $1.55-$1.65, compared with $1.67 a year ago, while Chemical'a earnings are expected to slip to $1.50-$1.55 a share from $1.58. On Wednesday, BankAmerica is expected to show a stronger bounce in earnings, to $1.55-$1.70 from $1.35. And later in the week, Bankers Trust should continue to report a rebound from its first-quarter loss.

■ **Sandoz:** Third-quarter sales figures from the Swiss pharmaceuticals and nutrition group are expected to show at least a continuation of the underlying 6 per cent growth rate achieved in the first half. But the figures, to be published on Thursday, may look less impressive because of the absence of the industrial chemical division, floated on the international capital markets in June as Clariant.

■ **IBM:** US high-tech stocks could be in for another volatile session on Tuesday when the US computer company reports its third-quarter results.

IBM has outperformed Wall Street projections for the past six quarters, raising expectations for another "above estimates" report. Investors fear that this may be the quarter that breaks the pattern.

IBM has already signalled that component supply problems in its mainframe business and delays in shipping new disk-drive products could detract from third quarter earnings.

Analysts' estimates for earnings per share range from $2.30 to $2.70, with a mean of $2.47.

■ **General Motors:** The US carmaker is expected this week to report that third-quarter earnings declined to 22 cents per share from 40 cents a year earlier, AFX reports from New York. On Wednesday, Ford is expected to reveal that third-quarter earnings fell to 29 cents a share from 93 cents a year ago. The drop is due to a slow production launch of its Taurus-Sable model, analysts said.

Most analysts revised downwards their earnings estimates after the "Big Three" carmakers reported disappointing sales for September.

■ **SAP:** The German computer software phenomenon topped a list of outperforming European high-tech stocks this year with a share price gain of 165 per cent by the end of September. Ms Jadwiga Bobrowska, an analyst at Merck Finck in Düsseldorf, expects the group on Wednesday to produce a 53 per cent rise in nine-month turnover to DM1.75bn, and a 59 per cent increase in pre-tax profits to DM417m ($283m).

■ **Farnell Electronics:** Pre-tax profits are expected to be around 25 per cent higher from £28.7m to £36m ($55.8m) when the UK components distributor and manufacturer reports its interims oo Monday.

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Banham to head Kingfisher

By Neil Buckley

Sir John Banham, former director general of the Confederation of British Industry, will today become a non-executive director of Kingfisher, the retail group battling to restore profits growth, and take over as group chairman early next year.

Sir John succeeds Sir Nigel Mobbs, who has been acting chairman since January, when the then chairman Sir Geoffrey Mulcahy was demoted to chief executive as it became clear group profits for 1994 had fallen 10 per cent to £281m. Four other directors, including the chief executive and finance director, resigned.

Kingfisher confirmed with its interim results last month - wben profits declined again from £88.1m to £74.6m - that it expected to name a new chairman by the year-end, quashing rumours that Sir Nigel might stay on. Sir Nigel will stand down from the board next year after 13 years as a non-execntive director.

The retailer - Britain's sixth largest by turnover - hopes the appointment of a chairman seen as a heavy hitter may help revive the City's confidence.

Sir John, 55, a former director of McKinsey, tbe consultants, is chairman of Tarmac and West Country Television, and non-executive director of National Westminster Bank and National Power. He was for five years director general of the CBI, and controller of the Audit Commission, the local government spending watchdog.

He also served as chairman of the Local Government Commission for England, the body set up by the environment department to review the structure of local government. But he resigned in March after the government rejected a large portion of his review.

Sir John Banham: seen as a heavy hitter

Sir John will be non-executive cbairman - althougb no details of bis contract have been released - leaving Sir Geoffrey Mulcahy to run Kingfisher day-to-day.

However, the two are expected to work closely on strategy to restore the group's fortunes, after last year's profits fall at Woolworths and loss at Comet, and a decline in profits in the B&Q DIY chain in the first half of this year.

Kingfisher, previously Woolworths Holdings, was one of the most successful retailers of the 1980s, hut ran into problems last year. Sir Geoffrey, previously chairman and chief executive, split the roles and appointed Mr Alan Smith, a former Marks and Spencer director, chief executive in 1993.

But as Mr Smith tried to take some of the chains, including Woolworths, in new directions, disagreements between him and Sir Geoffrey led to paralysis of management.

Rover calls off Unipart takeover

By John Griffiths

Rover Group, with prompting from its increasingly concerned parent BMW, has called off plans to mount a second takeover attempt for Unipart, the motor components and accessories gronp formerly owned hy Rover and which still distribntes its parts.

Rover and Unipart executives are expected to meet in the next few days to examine ways of repairing their relationsbip, whicb has become strained since Rover first made a secret £170m offer for Unipart in March, which was rejected hy Unipart's directors.

Rover has maintained that it needs to regain control of its own parts distribntion operations within a long-term strategy for growth under BMW's ownership. However Unipart has a contract to distribute Rover's parts which does not expire until 2002.

Unipart is making extensive and snccessful efforts to expand its components mannfacturing and distribntion activities among non-Rover customers. But Mr John Neill, chief executive, has acknowledged that another tbree or four years is needed before Unipart could hand the £400m a year parts distribntion activity back to Rover without its own viability being pnt at risk.

Rover had been planning to make a revised offer based on an annual revaluation of Unipart's shares required to he undertaken by its merchant bank and anditors within the next month.

Tbe UK car maker now intends to seek an orderly bandover of the distribntion business by the time the contract expires.

Unipart yesterday welcomed Rover's change of tack and a statement by Mr Berndt Pischetsrieder, BMW cbairman, and Mr John Towers, Rover's chief executive, that Rover would not renew its bid. However, while Unipart is understood to be willing to discuss the working of the contract it is not expected to agree to any fundamental change in its operation.

Yorkshire Electricity plans special dividend

By David Wighton

Yorkshire Electricity is planning to offer shareholders e £300m special dividend as speculation mounts that it will be the next regional electricity company to receive a bid.

The company is expected to reveal its proposals as soon as details of the National Grid demerger are announced.

Yorkshire's share price rose strongly last week on speculation that it may be the next target for Houston Industries and Central and Sonth West, the two US utilities which pulled out of the bidding for Norweb on Thursday.

In recent meetings with institutional shareholders, Yorkshire has said that its preferred strategy is to remain independent and return value to shareholders by gearing up its balance sheet.

It is believed to be contemplating an increase in borrowings to 100 per cent of sharebolders funds. This would allow it to pay a special dividend of more than 150p, as well as passing on its stake in National Grid to shareholders.

Yorkshire's proposed pay-out would be lower than that of Nortbern Electric, which offered 250p in dividends and preference shares as well as its holding in National Grid. This will increase its gearing to a peak of 175 per cent, falling to 115 per cent by 2000.

Since its shares went ex the special dividend, Northern's shares have traded at a much lower level than most analysts believe is justified. But they have risen recently, which may encourage Yorkshire to push ahead with its proposals.

By gearing up, Yorkshire would constrain its ability to raise future dividends. But analysts estimate it could still offer growth of about 4 per cent above the rate of inflation while keeping dividends covered more than 1.5 times.

● Directors of recs will be entitled to compensation for the expected decline in the value of their company shares when National Grid is spun off. They are expected to get ahares in National Grid to match existing share options in their recs.

Ladbroke puts Langham on market

By David Blackwell

Ladbroke, the leisure group, has put the Langham Hilton, its five-star London hotel, on the market.

The price has not been disclosed, but it is understood that the group hopes at least to reconp the £100m invested since the hotel was acquired in 1986.

The market for trophy hotels has been strong this year. Earlier this month Trafalgar House sold the Ritz to David and Frederick Barclay, the reclusive UK property tycoons, for £75m. The Ritz sale itself followed the disposal earlier this year of the Regent Hotel to the Landmark chain, which fetcbed about £70m, and of the Stafford - also owned by Trafalgar - to Shire Inns for £16m.

In last year's annual report, Mr John Jackson, Ladhroke chairman, signalled that the group would be seeking to maximise returns from its £1.6bn of hotel assets.

"For certain hotels, this may inclnde the disposal of some or all of the group's investment, usually with the retention of a management contract, thereby releasing funds for reinvestment in higher yielding activities," be said.

The group said yesterday that the Langham was for sale with or without the management contract. Several parties had already expressed an interest in the hotel.

Jones Lang Wooton, which handled this year's $300m (£194m) sale of New York's Plaza Hotel, is acting as agent.

The firm believes the market in both New York and London to be strong, helped by high occupancy rates and the weakness of the pound and the dollar.

Scholl rebels back Panel move

By David Blackwell

Rebel shareholders in Scholl, the healthcare prodncts group, yesterday welcomed last week's intervention hy the Takeover Panel as "very helpful indeed."

The Panel had sought clarification after the rebels, who want Scholl to put itself up for sale, claimed approaches from four parties. On Friday, the Panel decided not to declare Scholl in an offer period, which prompted Scholl to point out that it was "abundantly clear" that the rebels had "received no approaches of substance".

Yesterday Mr Brian Myerson of Active Value Advisers, which is leading tha rebellion, said he understood that the Panel had spoken to the four parties or their investment banks to confirm that they had "a preliminary interest".

"If there had been no interest, the Panel would have asked us to retract our statement," said Mr Myerson. "The company can no longer pretend that there are no potential buyers for the business."

Shareholders will today receive a letter from the rebels, who have built a 15 per cent stake. The letter says they have been "contacted by several interested parties and have identified a long list of potantial acquisitors. A well organised sale process will no doubt reveal further interested parties."

Hay & Robertson agreements

Hay & Robertson, the fledgling merchandising company which gained a Stock Exchange quotation in September, is today expected to announce that it has secured a series of licensing and trade agreements in four different markets - sport, music, film and clothing brands, writes William Lewis.

The agreements represent the first steps in the company's declared strategy to "acquire licenses to design, prodnce and market and distribute leisurewear portraying characters, logos, trade marks and brand images".

Trocadero may be spun off

By Conner Middelmann

Trocadero, tbe leisure and shopping complex in London's West End, is likely to be sold off by its owner Burford Holdings, the property group, and become a separate quoted company.

The company is expected to be floated this year with an expected value of up to £150m; BZW, the investment banking arm of Barclays, is arranging the sale. The company is likely to be listed on the Alternative Investment Market.

Burford, whicb is retaining a minority stake in the new company, is expected to announce details of the planned spin-off today.

"The Trocadero is really an earnings-oriented business, rather than an asset play," said one analyst yesterday. "It will offer better value to shareholders as something that will grow earnings relatively quickly, and will lighten Burford's debt burden."

Burford acquired the 410,000 sq ft property in September 1994 for £94m. In February, it entered into a joint venture agreement with Sega, the Japanese electronic games company, to develop a virtual reality indoor theme park costing £45m in the 100,000 sq ft of vacant space in the Trocadero at Piccadilly Circus.

The complex bas a troubled history. Originally a restaurant, the Trocadero reopened in 1984 as a shopping and entertainment centre under tbe ownership of Electricity Supply Nominees, the pension fund of the electricity supply industry.

It was bought by Brent Walker, the leisure group, with Power Corporation, tbe Irisb property group, in 1987. Both companies suffered financial damage and the centre went into receivership. Burford acquired the centre from KPMG, the receivers.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
RTZ (UK)/CRA (Australia)	Merger	Mining	£7bn	Merger & dual listing plans
Rhone-Poulenc Rorer (France/US)	Fisons (UK)	Pharmaceuticals	£1,83bn	Fisons concedes defeat
General Electric Capital US)	Sovac (France)	Financial services	£955m	Friendly premium bid
Moore Corp (Canada)	Wallace Computer Services (US)	Computer services	£880m	Increased offer
Stet International (Italy)	Entel (Bolivia)	Telecoms	£389m	Continues Intl growth
Torch Energy Advisors (US)	Syncrude (Canada)	Oil	£167m	Alberta gov'mt sells its stake
Uunet Technologies (US)	Unipalm (UK)	Computer services	£97m	Internet consolidation starts
Polygram (Netherlands)	Rodven Records (Venezuela)	Records & tapes	£36m	Increasing LatAm share
International Wallcoverings (Canada)	Fine Decor (UK)	Home furnishings	£21.5m	Agreed cash bid
Quality Software Products (UK)	Global Software (US)	Computer services	£7.2m	Buying US distributor

NEWS DIGEST

Océ sees further profits growth

Océ van der Grinten, the Dutch photocopier and office equipment manufacturer, has reported net profits for the first nine months of 1995 up 15.9 per cent to Fl 71.3m ($44.6m) and expects to maintain this growth rate through the end of this year. Group sales rose a sluggish 3 per cent to Fl 2.09bn, but this primarily reflected the translation of turnover generated in weaker currencies such as the dollar, the Italian lira and sterling into stronger guilders, which are closely tied to the German mark. At constant exchange rates, sales would have advanced 10 per cent, the group said. In the third quarter, Océ reported a net profit of Fl 22.7m, np 16 per cent, on sales up 5 per cent at Fl 691m. The group noted a quickening in demand for engineering systems and office systems products which include large format and energy saving copiers.

During the third quarter, taxes climbed and financial charges were up 21 per cent to Fl 23m due to unspecified investments. Taking the three quarters together, Oce has made headway in reducing operating costs, from Fl 762m to Fl 752m, yielding operating profits before financial items of Fl 152m against Fl 133m for the same nine-month period last year. Net profit per share improved 15 per cent to Fl 4.37 and cashflow rose from Fl 15.10 to Fl 15.40 per share.

David Brown, Amsterdam

Diamond Fields evaluation

Diamond Fields Resources, the finder and developer of the big Voisey Bay nickel-cobalt property in Northern Labrador, will release new drilling results today with its third-quarter results. DFR, backed by Tek and Inco, plans to produce up to 60,000 tonnes of nickel a year from the future Voisey mine and is spending at an annual rate of $40m to develop larger reserves. It estimates world nickel demand will rise 6 per cent annually over the next 16 years. Mr Clifford Carson, president, said it would be some time before DFR selects a site for a smelter to handle Voisey concentrates. He said DFB was funding nickel exploration in northern Ontarin and wanted to maximise the valne of its diamond assets.

Robert Gibbens, Montreal

Pacific Dunlop disposal

Pacific Dunlop, the Melbourne-based conglomerate, announced plans to dispose of its Cochlear hearing implant subsidiary by way of a public flotation. It said the sale would involve 100 per cent of the company'a equity and the prospectus was likely to be issued next month. A portion of the offer would be set aside for existing Pacific Dunlop shareholders, who would have priority rights over these shares.

Pacific Dunlop flagged the sale of the Cochlear business in April, as part of a much larger corporate restructuring. At thet stage, it said it was undecided whether to proceed with a trade sale or a flotation, but in either event would want Cochlear to retain majority Australian ownership. Cochlear is something of an Australian corporate "icon" - a fairly rare example of a high-techology business born out of collaboration between academic researchers, initial government-supplied venture capital, and then commercial marketing. It has annual sales of around A$68m (US$51.6m), and accounts for about 85 per cent of the implantable hearing device market. *Nikki Tait, Sydney*

Bid for Ming Pao to proceed

Malaysian entrepreneur Mr Tiong Hiew King's cash offer for Ming Pao Enterprise, publishers of Hong Kong's leading Chinese-language daily, will proceed. Mr Tiong's HK$3.85 a share offer values Ming Pao at HK$1.38bn (US$179m). The decision to proceed with the offer, which was expected, removes much of the financial uncertainty surrounding Ming Pao. The company'a accounts were qualified hy accountants Coopers & Lybrand in respect of nearly HK$300m of loans, and Mr Tiong's proposed offer, announced nearly two weeks ago, was conditional on these uncertainties being resolved.

Mr Yu Pun Hoi, a former Ming Pao chairman who sold a 35.9 per cent block of stock to Mr Tiong, has agreed to indemnify Ming Pao against any loss arising from non-performance of these loans. With Mr Yu's stock now under his control, Mr Tiong owns 46 per cent of Ming Pao's issued shares. Under Hong Kong takeover law, he is required to make an offer to all shareholders. *Simon Holberton, Hong Kong*

Cir and Cofide postpone rights issues

By Andrew Hill in Milan

Mr Carlo De Benedetti, chairman of Olivetti, will be forced to accept a cut in his indirect stake in the Italian computer gronp hecanse of banks' relnctance to back capital increases hy his two holding companies.

The banks have agreed to underwrite a record L2,257bn ($1.4bn) issue of Olivetti shares aimed at relaunching the troubled computer company, which is suffering continuing losses in its personal compnter operations. Shareholders will vote on the capital increase next week.

Bnt the same banks were not prepared to underwrite capital increases by the two holding companies – Cir, which owns about 21 per cent nf Olivetti, and Cofide, which owns 42 per cent of Cir – because the shares are trading at or below the issue price.

After a meeting on Saturday with Mediobanca, the Milan merchant bank organising the deal, and other members of the underwriting consortium, Cir and Cofide aaid they would postpone the capital increases of L465bn and L167.5bn respectively, until market conditions improved.

As a result, Cir has decided not to take up all its rights to the new Olivetti shares, and will see its holding dilnted from 21 to 16 per cent.

To demonstrate his confidence in the Olivetti issue, Mr De Benedetti had said Cir would underwrite more than its share of the Olivetti capital increase. Bnt the gronp decided not to overstretch its finances. Italian newspapers yesterday reported that Cir would receive a bridging loan to help pay for the rights.

The postponement of the Cir and Cofide issues is good news for Mr De Benedetti, who will not have to find L50bn to maintain his family's 37 per cent stake in Cofide. That could, however, anger small shareholders in Olivetti, some of which had already criticised Mr De Benedetti's arms-length control of the group.

Olivetti claimed yesterday tha reduction in Cir's stake would not waaken Mr De Benedetti's position at the company. He used to control Olivetti with a stake of about the same size. But if the computer group's shareholders decide not to subscribe to the latest rights issue, Mr De Benedetti will come under even stronger pressure from the banks to deliver the promised recovery at Olivetti.

Crédit Lyonnais chief under fire

By Andrew Jack in Paris

A row has broken out between the present and former chairmen of Crédlt Lyonnais, the state-owned bank, over who was responsible for the buge financial prohlems it has suffered during the past few years.

Mr Jean-Yves Haberer, the former chairman of the bank replaced by the French government in November 1993, said he had been made a scapegoat, and attacked what be called the new board's policy of blaming everything on past management.

His comments were in a rare public statement in an interview in Le Figaro newspaper. Since being removed from the bank, be has only spoken twice: once wben testifying before a parliamentary inquiry last year and earlier this week in a written response to a report into the bank compiled by the Cour des Comptes, the puhlic sector watchdog.

Botb tbe inquiry and the report were critical of Mr Haberer for bis role while chairman of the bank during the period 1988–93, when Crédit Lyonnais underwent rapid expansion which they claimed was highly risky and not accompanied by adequate financial controls.

However, Mr Haberer said the French ministry of economics - which acted as the state in its role as shareholder on the bank's board - acted in "connivance" with the communication policy of Crédit Lyonnais in its explanations nf what went wrong.

He also implicitly criticised Mr Jean Peyrelevade, the chairman wbo replaced him, by saying tbe bank's troubles were partly the result of the policy of "rupture and renunciation" from the day after he left.

He suggested the decision to change the bank's auditors and its rapid announcement of a plan to sell off its non-banking assets helped substantially reduce their value and precipitated a crisis.

Mr Peyrelevade has responded. He refusing to comment in detail on Mr Haberer's claims hut said Mr Haberer's statements did not seem to him "very appropriate".

Mr Haberer told Le Figaro that many of the bank's problems pre-dated his arrival, and said his policy of "banque-industrie" – or taking large stakes in non-banking husinesses – was "an innocent victim of persecution" in tbe searcb for explanations for Crédit Lynnnais' troubles.

He admitted he had been too optimistic in investing in property, had failed to do enough to reorganise internally and had not provided tougher internal controls.

However, Mr Haberer estimated that 40 per cent of the hank's problems were the result of the economic crisis of the early 1990s, a further 40 per cent, he said, was due to the difficulties of French banks in raising cash and dealing with shareholders, and only 20 per cent the result of frauds and internal controls.

There is little friendliness between the two men. Mr Haberer dismissively told the parliamentary inquiry last year that Mr Peyrelevade had "missed in his culture to have not been passed by ENA," the elite civil service training school of which he was a top graduate.

Pechiney completes asset sale programme

By David Buchan in Paris

Pechiney, the French state-contrnlled aluminium and packaging gronp, bas agreed to sell Howmet, its US turbine component subsidiary, to a US consortium for $750m, thus completing its asset sale programme ahead of privatisation, expected later this year.

The hnyers of Howmet, whicb employs 8,500 people in 30 factories in the US, Europe and Asia, are tbe Carlyle Group, a financial investor in aerospace and defence, and Thlokol, which makes solid propulsion mntors for missfles and aircraft rivetting systems.

Carlyle will take 51 per cent and Thiokol 49 per cent of Howmet, which will he run by its current managers and those of Cercast, also sold by Pecbiney.

Pecbiney said the deal brought to an end the series of divestments tt has made over the past 18 months, including the sale nf its US metal food can and glass bottle businesses to, respectively, Silgan of the US and Saint Gobain of France. The Howmet sale will bring in Pechiney a total of $900m, because it is keeping $150m of the turbine maker's cash. Overall, the asset sales bave raised FFr10bn ($2bn).

Mr Jean-Pierre Rodier, the new head of Pechiney, has been keen to refocus the gronp on aluminium and packaging to improve its balance sbeet for privatisation.

This operation was given the legal go-ahead by the government in a privatisation decree in July, and now only awaits suitable market conditions.

The Pechiney group, which is mainly the aluminium business, is 56 per cent owned by the government, and the group in turn owns 67 per cent of Pechiney International, the remaining plastic and beverage can husiness in the US.

It reported first-balf net profits of FFr658m compared with a FFr782m loss last year.

Générale Occidentale resignation

Mrs Françoise Sampermans, the managing director of Génèrale Occidentale, the media division of Alcatel Alsthom, is leaving the company, reports Reuter from Paris.

Mrs Sampermans will he replaced "for the coming months" by François de Laage de Meux, currently president of Génèrale Occidentale.

"In view of the strategic line set for the multimedia sector, Mrs Sampermans is leaving the group," Alcatel Alsthom said in a statement. "This line does not fit with the development strategy that had heen assigned to ber during the past years," it added.

In May, Mrs Sampermans was fined FFr50,000 ($10,000) hy magistrates for having another Alcatel group company, intervox, carry out security work worth FFr70,000 at her home.

Since Mr Serge Tchuruk took the helm of Alcatel Alsthom last June, its strategy in the media sector has changed to seeking alliances and partnerships, company sources said.

US drug groups ready results

By Daniel Green

Top US drugs companies in the US will this week indicate whether 1995 is likely to be a vintage year for sales and profits wben tbey puhlish their third-quarter figures.

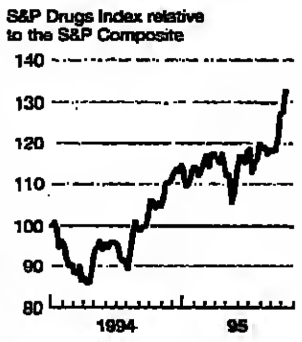
Over the next few days, some of the higgest groups, such as Pfizer, Merck, and Johnson & Johnson, will demonstrate how accurate bave been industry surveys that indicate the drugs sector is experiencing its fastest growth since 1992.

Most analysts helieve the third quarter will show a continuing strong performance thanks to cost-cutting, firmer prices, and strong sales, especially for the newest and most expensive products.

The downward pressure oo prices from drug buyers snch as managed care organisations may he easing. Analysts at Lehman Brothers in New York explain that managed care groups are struggling to control prices effectively, and are increasingly interested in "disease management", in which they package drugs with diagnostic and other services.

US drugs sector

S&P Drugs Index relative to the S&P Composite



Source: FT Extel

A minority of analysts believes, however, that growth may have slowed, largely because of the relative strength of the dollar in the third quarter, compared with the first half, depressing the valne of non-US sales.

Pfizer, J&J, Schering-Plough, and Warner-Lamhert are expected to be among the first to report. The first three should produce strong performances thanks to the popularity of their best selling products, in particular, much is expected of Pfizer's beart and depression drugs Norvasc and Zoloft, and J&J's schizophrenia and anaemia drugs Risperdal and Procrit.

Over tbe longer term, the impact nf Pfizer's acquisition in January of SmithKline Beecham's animal health business could be important. Soo too will be the progress of Enable, for rheumatoid arthritis, and antihiotic Zithromax. Both are potential blockbuster drugs which could generate annual sales of more than $500m.

Figures from Bristol-Myers Sqnibb, Eli Lilly, and Merck are also due over the next few days. Attention will focus on Taxol, BMS's new cancer drug, which has been well received and is still without competition in the US.

News on the progress throngh the regulatory processes of the Food and Drug Administration, of a poteotial competitor, Taxotere from Rhône-Poulenc Rorer, is expected shortly. Other groups expected to report this week include Kalamazoo-hased Upjohn, which is merging with Pharmacia of Sweden.

FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / **Philip Coggan**

Indicators point to insomnia

We are in the dog days of October. The US stock market, after a long bull run, has shown signs of wobbling. Share valuations, on some measures at least, look stretched by historical standards. Does this description evoke any memories?

Throw in the heavy takeover activity and some evidence of speculative fever, notably in specific examples such as the Netscape launch and it is tempting to look for similarities with 1987. Indeed Joseph Graville, writing in Barron's a fortnight ago, sought to evoke memories of 1929.

Whereas world markets have been able to view the long bear phase in Tokyo with equanimity, a substantial decline in the US market would inevitably drag down most European and emerging markets.

But how realistic are the comparisons? Many people have been crying wolf about the prospects for an imminent Wall Street crash for three years or more. It was then that the dividend yield on the S&P 500 first dropped below 3 per cent, a move which presaged the 1987 stock market decline. Anyone who sold the US market at the start of 1992 on the basis of that signal would so far have missed out on a S&P rise of 39 per cent.

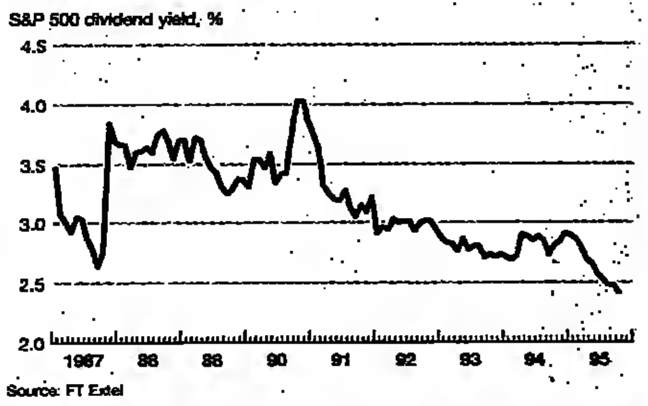
As Mr Andrew Bell, the BZW strategist, points out, the low dividend yield is partly the result of a fall in the pay-out ratio over the last six or seven years. Companies have been reinvesting their earnings with the aim of increasing their long term growth rate while the US tax system has given shareholders little incentive to demand dividends.

It is also possible to explain away the high price-to-book value ratio. Stocks in the Dow trade at more than three times asset value, the highest ratio since 1929. However, one could argue that the gradual shift from a manufacturing to a service based economy means that fixed assets have inevitably declined in importance.

In p/e terms the S&P 500 is not cheap – the historic rating is about 18 – but it is well below the peaks reached in 1987 or indeed in 1992 and 1993. While the pace of earnings growth is undoubtedly slowing, it is falling from a high base: Mr Steven Nagourney, global strategist at Lehman Brothers, calculates that corporate earnings increased by 37 per cent in the year to June.

Dwindling yields

S&P 500 dividend yield, %



Source: FT Extel

Bulls may also have a plausible case when they argue that the wave of takeovers is not a sign of speculative excess. Whereas the 1980s deals were frequently highly leveraged deals financed by corporate raiders in search of asset-stripping opportunities, many of 1995's takeovers are based on industrial restructuring.

But the most significant difference between 1987 and 1995, and the best rationale for the bulls, is the difference in the outlook for interest rates. In 1987, rates were rising around the world in response to inflationary pressures and bond yields rose for six months before the market crashed.

The 1995 rally has been aided by a decline in interest rates in each of the G3 nations – the US, Japan and Germany – and by a fall in bond yields as slowing economic growth eased inflationary pressures. The 30 year US Treasury bond yield, which touched 8.2 per cent in November 1994, has dropped back below 6.5 per cent.

Total return in local currency to 12/10/95

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.11	0.01	0.08	0.11	0.20	0.13
Month	0.49	0.05	0.35	0.49	0.85	0.56
Year	8.31	2.81	5.69	6.44	10.31	7.19
Bonds 3-5 year						
Week	0.15	-0.13	-0.25	0.18	0.52	-0.58
Month	0.76	1.04	0.56	0.07	0.41	-0.41
Year	12.10	13.71	12.90	10.77	15.03	11.57
Bonds 7-10 year						
Week	0.26	-0.71	0.03	0.03	0.70	-0.60
Month	1.23	1.30	0.48	-0.48	-1.08	-1.07
Year	18.01	18.34	14.13	12.52	14.76	12.69
Equities						
Week	0.2	-2.4	-2.0	0.2	-2.1	-0.7
Month	1.7	-2.0	-4.6	-2.8	-6.7	-0.1
Year	29.2	-9.4	4.5	-0.5	-1.4	17.8

Source: Cash & Bonds – Lehman Brothers. Equities-© NatWest Securities.
The FT-Actuaries World Indices are owned by The Financial Times Limited, Goldman Sachs & Co. and Standard & Poor's.

Mr Nagourney thinks that US bond yields can continue to fall, with real yields declining towards the historical norm of 2.5 per cent as the US budget deficit declines as a proportion of GDP. In the face of such positive support from bonds, he does not expect a sharp decline in shares, although he is looking for sector rotation, with investors moving into bank, utilities and consumer staples such as food and drugs.

Bears, however, are unlikely to be satisfied by these arguments. There are just too many factors – low yields, high price-to-book ratios – to "explain away". In the technology sector, bears have a plausible example of the speculative excess that frequently characterises the top of bull markets. The recent declines in the heavily tech-weighted Nasdaq index may be a herald of falls in the broader market.

Furthermore, the heavy flows of private investor into mutual funds in the 1990s creates, on the bearish view, a pool of "hot money" which might exit as quickly as it arrived, exacerbating any market decline.

From where could the shock come? A round of disappointing statements over the past few weeks has prevented the Dow from making further new highs. The steady drip of such announcements could yet erode investor confidence.

Alternatively the shock to the market could come from US politics, if President Clinton and congressional Republicans get locked into too messy a confrontation over the next few weeks, or if the uninspiring list of Republican candidates starts to make investors fear a second Clinton term, with the accompanying prospect of gridlock in Washington. Long bond yields might then start to climb back towards 7 per cent, undermining equities.

Perhaps the most persuasive, if not intellectually watertight, argument for a fall is simply that one is overdue. The Dow Jones Industrial Average has not experienced a 10 per cent correction since 1990. A five year period without such a fall is the longest on record.

Because the Dow is at a numerically high level, a correction might throw up some sizeable falls. A 10 per cent decline would mean a loss of 470 points, while a 15 per cent fall would require a fall of over 700. But such a setback would still fall well short of 1987, when the Dow fell 22 per cent in a single day.

There is nothing magical about the month of October, however. BZW's Mr Bell thinks that the risks of a correction are more likely to emerge in early 1996, once economies rebound and world markets start to realise they have become over-optimistic about the prospects for interest rates.

Comparisons with 1987 may be over-pessimistic. But despite Friday's rally in world markets, there are certainly sufficient bearish indicators to threaten global investors with some sleepless nights in the months to come.

COMMODITIES — Richard Mooney

Aluminium trade seeks clues

On Wednesday the German aluminium association will give a press briefing in Düsseldorf to review the sector's performance in 1995 and give its view of the outlook for 1996. The former should be straightforward enough, but the latter could present difficulties.

Last week's experience on the London Metal Exchange illustrated the uncertainty with which the aluminium market is viewed at present. In spite of two clearly bullish factors – a strike at Alcan Aluminium in Canada, and news that producer stocks of the metal registered an unexpected fall in August – aluminium joined in and quickly caught up with the recent decline in other base metal prices.

The long time highs seen earlier this year are now just a fond memory and with capacity sidelined in compliance with last year's multilateral agreement to limit production so as to reduce excessive stocks beginning to come back into operation most analysts are concentrating on identifying underlying support levels rather than overhead resistance.

Another clue to the present situation will come on Friday, however, with the publication of the International Primary Aluminium Institute's production assessments for September.

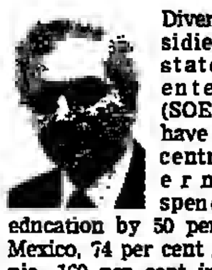
● Other events this week include today's Research and Development in Mining Conference in Sydney, coinciding with the start of a two-day Base Metals Concentrates Conference, organised by Metal Bulletin magazine, in Dublin. At the latter mining executives, analysts and environmentalists will speak on supply and demand, shipping, the former eastern bloc's role, smelter technology and costs.

In Johannesburg today the South African Futures Exchange (Safex) begins trading potato futures.

On Wednesday New Delhi will be the venue for the Asia International Sugar Conference '95, at which the role of the International Sugar Organisation in Asia will be among the subjects discussed.

Economic Eye / **Martin Wolf**

Follies of bureaucracy



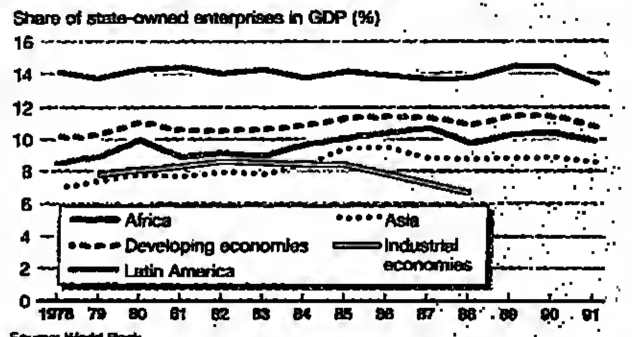
Diverting subsidies from state-owned enterprises (SOEs) would have increased central government spending on education by 50 per cent in Mexico, 74 per cent in Tanzania, 160 per cent in Tunisia and 550 per cent in India. Alternatively, diverting the subsidies to health care would have allowed central government to double health expenditures in Senegal and increase them threefold in Turkey, roughly fourfold in Mexico and Tunisia, and fivefold in India.

Government factories in Indonesia discharge about five times as much water pollution per unit of output as comparable private ones. Furthermore, the excess of SOE investments over savings accounted for more than a third of the fiscal deficits of a sample of 38 developing countries.

These shocking figures come from a study from the World Bank published last week.* The notion that bureaucrats should run businesses was among the silliest of the twentieth century. Western intellectuals proposed it, but the study shows that the poor pay the highest price. The share of SOEs in gross domestic product is largest in Africa (see chart). Furthermore, in a sample of 46 developing economies, the fiscal drain imposed by SOEs was about 2 per cent of GDP in countries with national incomes of below $675 per head in 1992, but close to zero in richer developing countries.

State-owned enterprise is barely shrinking

Share of state-owned enterprises in GDP (%)



Source: World Bank

Unfortunately, the SOE disaster is not becoming any smaller, except in the industrial countries and relatively few developing countries. The obstacles to the needed changes are not so much technical as political: beneficiaries of inefficient SOEs include groups that are a – sometimes *the* – core component of a government's support.

The core of the Bank analysis is a detailed analysis of a sample of 12 countries – Chile, Egypt, Ghana, India, Mexico, the Philippines, the Republic of Korea, Senegal, Turkey, China, the Czech Republic and Poland. It concludes that "divestiture wherever possible, combined with increased competition, hard budgets, and financial sector reforms create substantial pressures for SOEs to improve performance." Since these are interdependent, SOE reform must be part of a more comprehensive change. It can also not be imposed from outside, because reform will then lack the required credibility.

Except where an enterprise is simply privatised within a competitive market, there needs to be a change in the contractual relationship between the state and the management. The new arrangements must reduce the problem of asymmetric information, introduce rewards and penalties and ensure commitments are credible, above all those of governments.

One route is performance contracts between governments and public managers. But the study finds these rarely worked. Often they even made things worse, since public managers exploited their superior information when negotiating contracts, rewards and penalties were lacking, and government interference was incessant so long as enterprises were managed by public servants.

Contracts with private managers – often used for hotels – were far more successful. As for monopolies, the combination of privatisation with regulation brought about large improvements in performance. Labour productivity in privatised telecommunications rose by more than 60 per cent in Argentina. In Chilean telecommunications the total gain for consumers, shareholders, workers and the government was 155 per cent of annual sales in the year before privatisation. Another study, by the International Finance Corporation, based on its own portfolio, demonstrates the gains from privatisation even in the hostile environment of the former Soviet Union.**

Because SOEs are even less efficient in poor countries than in richer countries, radical reform is both more important and more difficult to secure: the more overmanned an enterprise, the more workers fear competition. Exceptionally, the World Bank team analyses such political obstacles, concluding that what is needed is for those in power to want reform, to be able to implement it, and to convince people they mean it. Authoritarianism is neither a necessary nor sufficient condition for success. But a crisis can help, as can collapse of an unloved regime.

Such analyses justify the World Bank's existence. But they also raise questions about its role. The study remarks, disingenuously, that its "analysis is not a judgment about the countries or their governments. Rather, it assesses the obstacles that may prevent even the most effective and selfless leaders from undertaking SOE reform." What a government does may be its own business. But should it also receive assistance from abroad, particularly when it lowers the cost of persisting with folly?

The book's own approach is suitably technocratic, considering what to do in countries ready for SOE reform and in those yet to implement even the preconditions. People not employed in the development business can be tougher. They can question the case for aiding governments that persist in wasting desperately scarce resources. Maybe some do face overwhelming political obstacles to reform. If so, rich countries could confront equally overwhelming obstacles to helping them.

**Bureaucrats in Business: the Economics and Politics of Government Ownership (Washington DC: Oxford University Press for the World Bank, 1995). **Privatization: Principles and Practice, IFC Lessons of Experience Series 1 (Washington DC: World Bank, 1995).*

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY OCTOBER 13 1995 US Dollar Index	%chg since 30/12/94	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 30/12/94	Gross Div. Yield	THURSDAY OCTOBER 12 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (82)	184.01	7.2	173.50	117.10	136.71	161.18	9.5	4.03	182.15	171.76	115.42	134.69	159.68	161.01	157.95	168.14
Austria (27)	173.53	-5.0	163.63	110.49	128.93	128.86	-12.4	1.30	173.56	163.65	109.98	128.33	128.27	199.28	167.48	181.70
Belgium (35)	181.48	13.7	180.55	121.85	142.26	138.78	5.0	3.76	181.34	180.42	121.25	141.49	138.00	201.12	164.78	186.70
Brazil (28)	148.54	-9.0	140.06	94.53	110.36	261.98	3.0	1.61	148.12	139.66	93.86	109.52	261.18	–	–	–
Canada (100)	144.05	11.3	135.83	91.67	107.02	139.48	6.1	2.67	143.00	134.83	90.61	105.74	138.63	150.83	121.81	138.12
Denmark (33)	282.78	12.3	266.64	178.98	210.10	213.18	2.3	1.52	283.78	267.58	178.82	209.84	212.86	295.99	238.61	249.80
Finland (25)	253.37	36.2	238.91	161.24	188.25	229.08	23.8	1.40	249.17	234.95	157.89	184.24	224.37	276.11	171.13	185.29
France (100)	173.12	5.8	163.24	110.17	128.62	135.06	-1.4	3.25	172.89	163.02	109.55	127.84	134.31	181.17	157.78	171.02
Germany (59)	159.41	11.2	150.31	101.44	118.43	118.43	2.6	2.02	158.14	149.11	100.21	116.93	116.93	167.74	135.39	142.89
Hong Kong (55)	384.41	17.8	362.47	244.63	285.61	381.55	17.8	3.81	377.13	355.61	238.97	278.87	374.33	391.00	277.40	387.97
Ireland (16)	250.55	21.5	236.25	159.45	186.15	218.55	16.7	3.43	247.74	233.60	156.98	183.18	217.02	250.55	195.34	209.13
Italy (59)	73.30	-2.8	69.12	46.65	54.46	87.83	-3.7	1.73	73.78	69.57	46.75	54.56	88.23	82.71	65.45	78.89
Japan (483)	143.27	-8.7	135.09	91.17	106.45	91.17	-7.9	0.83	143.91	135.70	91.19	106.41	91.18	164.92	136.95	181.31
Malaysia (108)	469.44	-2.1	442.65	298.74	348.79	460.00	-2.4	1.78	470.38	443.54	298.07	347.92	460.82	563.02	398.18	563.02
Mexico (18)	1000.33	-29.4	943.23	636.59	743.22	7348.74	-3.8	1.89	1009.13	951.53	639.44	746.18	7419.88	2302.03	647.81	2270.20
Netherland (19)	256.56	18.3	241.92	163.27	190.62	187.33	9.1	3.48	256.68	242.03	162.65	189.80	186.54	263.98	207.60	214.81
New Zealand (14)	78.94	12.1	74.44	50.24	58.65	63.39	8.5	4.50	79.35	74.82	50.28	58.67	63.86	85.49	69.56	72.34
Norway (33)	234.28	8.9	220.91	149.09	174.06	198.43	1.8	2.12	232.91	219.61	147.59	172.22	157.50	243.79	192.92	203.57
Singapore (44)	373.71	0.2	352.38	237.82	277.66	246.67	-2.0	1.67	374.72	353.33	237.45	277.09	245.81	414.26	313.94	389.57
South Africa (45)	361.87	7.5	341.31	230.35	268.94	289.39	-3.5	4.03	361.48	340.86	229.06	267.30	288.81	363.22	281.06	320.86
Spain (39)	148.97	12.9	140.47	94.80	110.68	139.10	5.7	4.06	147.39	138.97	93.39	108.98	136.86	180.51	124.10	142.66
Sweden (48)	312.28	35.1	294.46	198.73	232.02	321.66	26.5	1.86	311.46	293.69	197.37	230.31	320.24	320.43	225.80	231.09
Switzerland (41)	219.69	33.0	207.15	139.80	163.22	157.58	17.8	1.69	218.88	206.39	138.69	161.85	158.61	219.88	158.36	165.74
Thailand (46)	167.12	5.7	157.58	106.35	124.17	162.82	5.7	2.50	168.66	159.03	106.87	124.71	164.30	–	–	–
United Kingdom (207)	226.42	16.2	213.50	144.09	168.23	213.50	15.6	4.00	223.93	211.15	141.90	165.59	211.15	227.07	187.07	201.82
USA (503)	239.48	27.6	225.81	152.40	177.93	239.48	27.6	2.45	238.92	225.19	151.33	176.80	238.82	239.87	182.33	190.89
Americas (649)	216.68	25.5	206.20	139.18	162.47	183.47	25.6	2.45	218.09	205.62	138.18	181.24	182.86	–	–	–
Europe (740)	194.95	15.4	183.82	124.06	144.84	165.03	6.8	3.06	193.78	182.70	122.78	143.27	163.61	199.02	163.04	172.94
Nordic (139)	288.12	28.4	271.67	183.35	214.06	250.67	18.0	1.75	288.88	270.50	181.78	212.13	248.86	295.02	215.79	223.25
Pacific Basin (832)	154.21	-6.1	145.41	98.13	114.57	101.78	-5.7	1.28	154.53	145.71	97.92	114.27	101.64	173.52	145.93	170.78
Euro-Pacific (1572)	171.09	3.0	161.32	108.88	127.11	125.64	0.6	2.13	170.78	161.03	108.22	128.28	125.04	178.33	154.73	171.56
North America (603)	233.59	26.9	220.25	148.65	173.54	232.79	26.6	2.48	232.90	219.81	147.58	172.21	232.12	233.83	178.86	167.61
Europe Ex. UK (533)	173.94	14.9	164.01	110.69	129.23	139.60	6.3	2.51	173.36	163.47	109.85	128.18	137.60	178.46	146.45	153.89
Pacific Ex. Japan (349)	257.32	8.0	242.64	163.76	191.18	225.51	8.2	3.26	255.16	240.60	161.69	188.69	223.61	266.72	211.19	262.57
World Ex. US (1763)	172.16	2.8	162.33	109.66	127.91	129.22	0.8	2.17	171.84	162.03	108.89	127.06	128.62	178.73	155.42	173.51
World Ex. UK (2059)	189.55	10.8	178.73	120.62	140.83	155.97	9.1	2.09	189.31	178.50	119.98	139.98	155.48	191.32	163.48	175.96
World Ex. Japan (1783)	220.40	20.0	207.82	140.26	163.75	205.71	17.7	2.75	219.43	206.91	139.05	162.26	204.62	220.96	178.95	189.28
The World Index (2266)	192.77	11.4	181.76	122.67	143.22	180.99	9.7	2.28	192.34	181.38	121.88	142.22	160.35	194.25	165.92	178.24

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.07 (Pound Sterling) and 149.94 (Local). Constituent change during the week ending 13/10/95: Addition: VA Stahl (Austria). Deletion: Un Broadcasting (USA).

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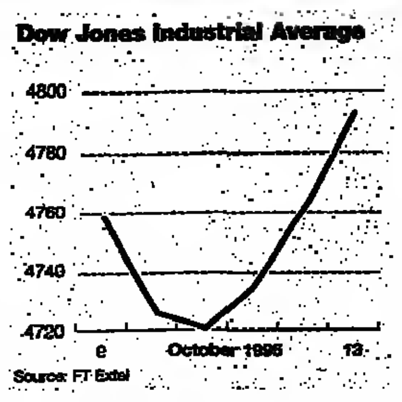
EQUITY MARKETS: This Week

NEW YORK — Maggie Urry

Technology share slide overcome



Wall Street overcame a nasty slide in technology stocks on Monday and Tuesday last week, to close on Friday a few points below 4,800 on the Dow Jones Industrial Average, not far short of the all-time closing high of 4,801.80.

Stocks were helped by a strong rise in the bond market at the end of the week, when the yield on the long bond dropped decisivaly to 6.3 per cent. Bonds were encouraged by good news on the inflation front.

Further support came from the first few third-quarter earnings reports. Although Motorola unsettled the technology sector on Monday. Texas Instruments calmed nerves with strong earnings growth and a bullish outlook for the chip industry on Thursday.

This week the results season will be in full flood, with figures due from banks, consumer goods groups, telecommunications groups, defence stocks, and stockbrokers.

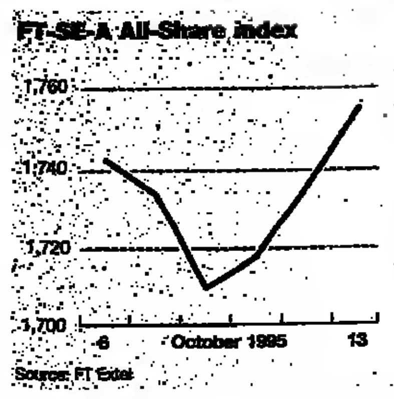
Were a significant number of these to disappoint investors, the market could come onder pressure.

Also expected is a string of economic statistics which will indicate the strength of the economy at the end of the third quarter. On Tuesday September industrial production is forecast to be unchanged from August's level, with capacity utilisation due to dip marginally from 84.1 to 84 per cent.

Thursday brings bousing starts figures for September, which are forecast to be little changed from August's rise of 1.4m.

LONDON — Philip Coggan

Investors turn their thoughts to the Budget



UK equity investors are in buoyant mood after a topsy-turvy week which saw the FT-SE 100 index make daily 50-point moves in both directions. The rebound saw the Footsie close on Friday just short of its all-time high of 3,570.8.

Bid activity was once again one of the primary forces driving the market, with the agreed merger between Lloyds Bank and the TSB sparking the inevitabla speculation about other potential takeover candidates.

Wall Street was also a factor, with an initial decline in technology stocks pushing tha US and UK markets lower on Monday and Tuesday, before a rally in the second half of the week.

Disappointing UK inflation figures for September were virtually ignored in the excitement, even though they made an interest rate cut look highly unlikely in the short term and pushed tha real dividend yield on the All-Share Index into negative territory for the first time since mid-1992.

Retail sales and average earnings numbers may give further clues as to the health of the UK economy this week but in domestic terms, the market's thoughts are already focused on November's Budget.

Investors want Mr Kenneth Clarke, the chancellor, to steer a fine line between being fiscally responsible in terms of the public sector deficit and cutting taxes sufficiently to appease an electorate which still appears to prefer the Labour Party.

OTHER MARKETS

ZURICH

Ciba and Roche, two of the big Swiss health prodncts groups, were the star performers in a bubbling Zurich market last week, and Sandoz is expected to add to the positive sentiment when it publishes its third quarter sales figures on Thursday, *writes Ian Rodger*.

Roche once again upstaged its rivals, unexpectedly announcing its third-quarter sales figures on Wednesday, a day ahead of the planned announcement from Ciba.

The main message from both was that the sales growth rate in pharmaceuticals was picking up, perhaps indicating that fears of government crackdowns on drug prices were exaggerated.

At a time when haven funds are pouring into Swiss franc securities, these blue chip companies' shares were bound to benefit.

Roche non-voting certificates, which have been stuck in a narrow range for the past few months, burst through a SFr8,200 barrier and ended the week at SFr8.360.

Ciba bearers continued their six-month surge into record territory, finishing the week up SFr14 at SFr968.

HELSINKI

Nokia provides the highlight of a busy week for eight-month reports with figures on Thursday. Merrill Lynch notes that cellular subscriber volumes have increased much faster than expected this year, primarily because of new competition, and this is likely to have a positive effect on Nokia.

The US investment bank notes that the market swing to digital in Europe and Asia this year has been greater than expected, which is also benefiting Nokia revenues.

While the total digital market should exceed the analogue market in mid-1996, Nokia is ahead of the trend and its cross-over could take place this November. It believes its analogue handset prices have fallen less than those of some other manufacturers, while its digital prices have fallen by only 17.5 per cent.

Merrill says its own second tertial estimate is below the consensus but it sees good scope for sustained growth from Nokia over the next couple of years. With a 1996 prospective p/e of more than 15, and a five-year growth rate of 25 per cent, it rates the share a buy.

MILAN

With the market already weighed by the cool reception to the 1996 budget proposals and the weak lira, the still unfolding Gemina affair only compounds the misery.

UBS notes that on the economic front the most interesting figures this week will be the wholesale and producer prices series for August, which will provide a pointer on inflationary pressures in the intermediate sector of the economy.

The bank notes that overseas investors are steering clear of Italy as its reputation for little or no transparency worsens. Trading volumes remain low and while UBS expects the BCI index to remain around support levels of 600 after its recent falls, it adds that upside potential looks similarly limited.

PARIS

The French equity market remains under threat in spite of staging a nervous recovery at the end of last week, *writes John Pitt*. Most brokers believe it could be just a matter of time before currency speculators rear their heads ooce more and mount a fresh assanlt on the franc.

With tha government at an all-time low in the popularity stakes, political casualties, including that of the prime minister, Mr Alain Juppé, are still waiting to be claimed.

Corporate activity this week includes half-year results from Bouygues, the construction and engineering group, which are expected tomorrow .

TOKYO

Announcements by Japanese and US authorities over the Daiwa Bank debacle will continue to attract attention this week, *writes Emiko Terazono*.

The market rebounded on the last two days of last week, gaining 6.4 per cent, but analysts remain pessimistic on its future performance.

Mr James Fiorillo, banking analyst at Baring Securities in Tokyo maintains a sell/avoid recommendation on Daiwa. He reckons the bank may see stiffer penalties in the US than previously expected when the US Treasury's inspection is complete.

The bank plans to unveil a restructuring of its international operations this month, including a rationalisation of branch networks in North America and Europe.

HONG KONG

The performance of Wall Street will continne to be the key factor dictating the strength of the Hong Kong stock market this week, although evidence of overseas funds returning to the region would also serve to boost sentiment, *writes Louise Lucas*.

The barometer Hang Seng index ended Friday on a high note, up 2 per cent on the day at 9,883.78.

However, not all brokers are convinced that the momentum will last far into this week, given the currently slim level of turnover.

A rash of bullish year-end forecasts appears to have had little impact on sentiment. Baring Securities reckons the index will end the year at between 12,000 and 13,000 fuelled by lower interest rates and an improving trade balance.

While the majority of forecasts are looking for the index to end the year above 10,000, there are still a few bears who point to the year's unimpressive corporate earnings – in some instances accompanied by warnings that the following year will be little better – and weak turnover.

Compiled by Michael Morgan

International offers

Korean companies put their faith in foreigners

Korean companies can ba confident that foreign investors will snap up their offer of a total $860m in depositary receipt (DR) issues during the fourth quarter of this year.

The reason is that Korean equities have scarcity value among international investors. The Seoul government limits total foreign shareholdings in listed companies to 15 per cent, an amount that has long beeo filled for Korea's most attractive stocks.

DRs are the only way for foreign investors who have been left out in tha cold to acquire a stake in Korea's booming blue-chip companies.

Overseas investors have rusbed to grab Korean DR issues. A $150m global depositary receipt (GDR) in June by Samsung Electronics, the biggest prodncer of computer memory chips, was almost six times over-subscribed.

The latest series of DR issues should enjov a particularly warm reception since the Seoul stock market appears to be entering a bullish phase.

"In a bull market like this, almost any GDR issue will do well," said Mr Richard Samnelson, head of research at SBC Warburg Securities in Seoul.

Optimistic analysts predict that the general share index will rise by 10 per cent to break the 1,100-point barrier by the year-end.

Korea Electric Power (Kepco), the state-run electricity utility, kicked off tbe fourth-qoarter package of issues by listing $300m American depositary receipts (ADRs) on tbe New York Stock Exchange last week.

Pohang Iron & Steel (Posco), the world's second biggest steelmaker, is scheduled to list a $300m GDR issue in London and New York on October 30.

Samsung Electronics is expected to list a $150m GDR issue in London on November 8. This will be followed by a $40m GDR issue by Kolon Industries, a textile producer, in November.

In December, Dong-ah Construction will list a $70bn European Depositary Receipt (EDR) issue. Dong-ah is barred from the US securities market because of its heavy involvement in infrastructure projects in Libya, which is on a US trade embargo list.

These issues are expected to carry hefty premiums over domestic share prices since all the companies have already reached their foreign shareholding limits.

Analysts predict that the Posco and Samsung issues will fetch premiums above 25 per cent, while pramiums for Kolon and Dong-ah will exceed 15 per cent. The initial premium for tbe recent Kepco ADR was 13.2 per cent, although it has risen to 17 per cent since then.

Korean DRs are expected to remain highly popular among foreign Investors over the next few years. One reason is that the Korean government is not eager to raise the foreign shareholding limit on domestic shares. Most analysts believe the limit may be raised to 20 per cent next year and perhaps by anotber five percentage points in 1997 or later.

Korea is also rationing the amount of DR issues. It has set a ceiling of $2.6bn on overseas issuance of foreign currency-denominated securities and equity-linked bonds for this year. The 12 Korean DR issues in 1995 total $1.42bn, accounting for almost 55 per cent of this amount, with the rest consisting of convertible bonds and bonds with warrants.

The Korean government has promised gradually to raise the ceiling on overseas securities issues before abolishing the limit by 1999.

Analysts expect a shift from convertible bonds to DRs as Korean companies tap foreign financial markets within the limits set by the government.

"The advantage of GDRs is that they do not increase the already high debt levels of Korean companies, unlike convertible bonds. Instead, they are adding to the companies' shareholding equity," said Mr Bruno Leroy with Société Générale Strauss Turnbull in Seoul.

Increased awareness among foreign investors about the competitiveness of Korea's biggest companies is also supporting the trend toward more DR issues.

"When Korean companies were less well-known, foreign investors preferred convertible bonds because there was little downside risk due to their guaranteed returns. Investors are now willing to take more of a risk on the stock market performance of Korean blue-chips," said Mr Henry Morris with Koryo Securities in Seoul.

The only main drawback of this investor strategy is that the Korean government frequently intervenes in the stock market to prevent it from rising too sharply. Officials fear that a sudden market surge would deplete savings accounts as domestic retail investors rush to make stock investments.

In selecting DR issues, the goverument has shown a marked preference for state-owned companies or those that will use the overseas funds to expand industrial production at home.

The tough selection process is another factor boosting foreign Investor confidance In Korean DRs aince "only the strongest Korean companies are gaining approval", said Mr Morris.

The decision by Seoul last year to allow Korean companies to seek listings on foreign bourses is also considered a positive development since it eases trading of DR issnes among foreign investors.

Posco and Kepco gained listings on the New York Stock Exchange a year ago. Korea Mobile Telecom, Hyundal Motors and Mando Machinery were listed on the London Stock Exchange this year, to be followed shortly by Posco and Samsung Electronics.

In spite of recording the highest profit among Korean companies this year, Samsung Electronics recently failed to gain a New York listing because it could only produce consolidated accounts meeting US GAAP standards for 1994, instead of for the previous three years as required by the NYSE. Samsung may have to wait until 1997 to try again.

John Burton

EMERGING MARKETS: This Week

The Emerging Investor / **Jonathan Wheatley in São Paulo**

Investors' confidence hinges on reform

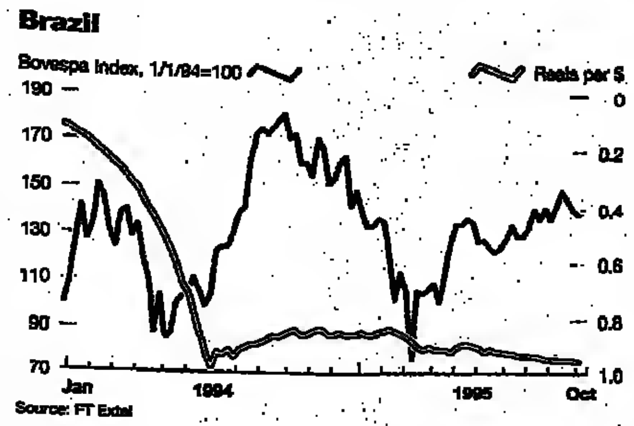
One word has dominated Brazil's capital markets for the past 18 months and will continue to dominate them well into next year: reform.

"As soon as we see progress on reform," analysts say, "then the markets will take off." In fact there has been little else but progress on reform since President Fernando Henrique Cardoso last year began implementing an economic stabilisation programme when he was finance minister. With the help of a new currency, the real, monthly inflation has been cut from 50 per cent in June 1994 to 0.7 per cent last month, its lowest level in 22 years. The economy is in better shape, with improved prospects for sustained growth.

Investors, however, remain cautious. One worry is regional instability. Stocks lost almost half their value in two and a half months following the Mexican crisis last December. Brazil's markets remain vulnerable to factors beyond the government's control, such as unrest in Argentina or changes in international interest rates. But what holds investors back more is that the reform programme, while showing every sign of continued success, is still far from complete.

With the exception of a badly handled mini-devaluation in March, the government has shown itself to be adept at micro-managing the economy. A surge in consumer demand following the introduction of the new currency was contained with credit restrictions; as the economy slowed in the middle of this year, the restraints were relaxed and the threat of recession that loomed large in the third quarter seems to have passed. But other problems haven't gone away. Spending on payroll and social security threatens to bankrupt federal and state governments. Until public accounts are brought under control, the threat of renewed inflation will remain and measures to dampen demand will be stop-gaps that can only buy a limited amount of time.

Brazil



Source: FT Extel

Market attention is therefore concentrated on the structural reforms on which long-term stability depends. Three measures requiring changes to the 1988 constitution are now before congress: a reform of the tax system and an overhaul of pensions and social security, too sensitive politically for the government to push for rapid progress, are in pre-committee stage. However, a vote is expected this week in a lower house committee on a government proposal to end the guaranteed jobs for life enjoyed by public employees. The measure has broad support; state governors need the freedom to dismiss workers if their administrations are not to collapse under the burden of payroll spending. But the measure still faces opposition and could be diluted before it goes before the full house.

"The chances are good that the government will get most of what it wants," says Mr Alberto Alves Sobrinho of Brazilian brokerage Fair Corretora. "But the markets are still asking how long will it take, and how far will it go? It's the extent of the reforms that will determine whether or not we see the boom that everyone has been waiting for."

Although many investors are becoming impatient with the pace of reform, analysts agree that the long-awaited boom is unlikely to materialise in the short term. "Investors looking for short-term gains are likely to be disappointed," says Julius Buchenrode of Chase Manhattan in São Paulo.

With progress expected to be slow, Brazil's stock markets are likely to continue to suffer from low liquidity. Market value of the São Paulo stock exchange was $165bn in September, with daily trading averaging $220m. The top five most liquid shares regularly account for 75 per cent of all trades. Trading is dominated by institutions, with little trading by private investors and consequently low liquidity in second tier stocks. The government hopes that high-profile privatisations will help broaden share ownership.

The lack of liquidity also means that few companies use stock markets to raise capital. Part of the problem is that companies are reluctant to float stock at less than book value. With prices relatively low, companies are likely to stay away until markets pick up. Another problem is that book-building has yet to take hold in Brazil, meaning underwriters are unable to spread risk. Recent issues by retailers Pão de Açucar and Arapuá, which included international offerings, were rare exceptions.

But with Brazilian interest rates at about 30 per cent, many companies are looking for cheaper ways to raise capital. Some issues in capital-intensive industries like paper and pulp are likely during the coming year, but banks and companies with sufficient international standing are turning to eurobonds and other commercial papers.

The longer-term view taken by these markets has enabled Brazilian paper to perform well in recent months; the volatility inspired by events in congress takes second place to prospects for economic growth in the future. Successful eurobond issues last week by government-owned electricity holding company Eletrobrás and media group Globopar are likely to be followed by more issues later in the year. The government, which raised over $1.6bn in eurobonds in May and June, is preparing further issues worth $5bn. Confidence was shaken briefly when the central bank intervened in Banco Econòmico, Brazil's oldest and eighth largest private bank; the bank has $200m in eurobonds on the market, which the government refused to honour. However, barring similar shocks, Brazilian paper is expected to continue outperforming other Latin American debt for the rest of the year.

News round-up

Mexico

The Mexican equity market has been suffering in recent weeks, mainly it seems ahead of expectations of a weak set of third quarter corporate results, which are due to be released this coming week. Foreign & Colonial observed that ahead of the second quarter figures the market lost nearly 7 per cent, before picking up all of the loss in the following couple of weeks as it emerged that fears had been misplaced. "The market may be failing to differentiate between exporters enjoying the benefit of a weak peso and domestic companies labouring under the effects of recession," said F & C.

Poland

Robust economic growth, a broad consumer base, tight regulation and high reporting standards make the equity market attractive in east Europe says Société Générale, *Reuter reports from Warsaw*. "Poland and Russia are the most important markets in the region but we overweight Poland because of its much stronger legal structure," said Mr Patrick Shanahan, managing director of the broker's emerging markets team. SocGen analysts saw potential interest by long-term investors in small companies listed on the parallel market. However, large conglomerates were unlikely to attract a great deal of foreign interest owing to complicated structures.

South Korea

South Korea plans to ease limits on foreign ownership in investment trusts and investment consultants. The government said that it will raise the ceiling for foreign ownership in local investment trust companies to a little less than a combined 50 per cent from the current 10 per cent.

Foreign companies will also be allowed in the second half of 1996 to open branch offices or invest less than a combined 50 per cent in a joint venture investment trust company in South Korea. The limits on foreign ownership in local investment trust companies would be lifted during the second half of 1997.

Russia

The self-regulatory body which is organising Russia's electronic over-the-counter market for shares, PAUFOR, approved rules for listing securities on the Russian Trading System. The rules introduce two levels (A and B) and six ratings (A1, A2, A3, B1, B2, B3) for securities.

To acquire the highest A1 rating, shares must have been in free circulation for at least three years, the volume of the registered issue must be at least $15m and the number of shareholders at least 1,000.

Securities listed under category B are mainly traded at a regional level.

Briefly

- Moody's Investors Service has upgraded the rating of the sovereign foreign currency ceiling of Trinidad and Tobago to Ba1 from Ba2. The bonds issued by Trinidad and Tobago were also upgraded to Ba1. Approximately $375m of debt securities are affected.

  The long-term sovereign ceiling for foreign currency bank deposits was raised to Ba2 from Ba3.
- Ashanti Goldfields plans to apply for a full listing on the New York Stock Exchange in December. The company plans to apply for the listing after it releases 1995 results.
- Venezuelan shares closed up 8.5 per cent at a 1995 high on Friday.
- Inflation in Lithuania is expected to drop to 15 per cent next year. GNP rose by 6 per cent last year and was expected to increase by 5 per cent this year, Slezevicius said.
- *Edited by John Pitt. Further coverage of emerging markets appears daily on the World Stock Markets page.*

CURRENCY MARKETS — Philip Gawith

Trade figures key for dollar

Foreign exchange markets are in something of a limbo at the moment with no obvious event this week to galvanise events.

The dollar and the French franc have occupied most attention recently, but the franc has gone off the boil while the dollar remains stuck in a range.

The main setpiece event is the Bundesbank council meeting, but this is expected to leave German interest rates unchanged. The release of German M3 money supply growth figures, as well as industrial production data and producer inflation figures, should provide a pointer about the likely course of monetary policy.

Lower German interest rates would boost the dollar and give increased room for manoeuvre to other European countries who cannot cut rates while Germany stands firm.

So far as the dollar is concerned, the key focus of attention will be the release of trade figures, both in the US and Japan. Last month the dollar was hit by news of another record US deficit.

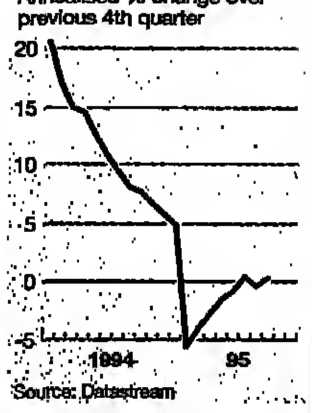
The size of the US's trade deficit is a key structural factor explaining the dollar's weakness. Markets need to see evidence that this deficit is shrinking steadily to believe that the dollar has the ability to arrest its secular decline.

Traders will also be keeping a watchful eye on the progress of the US congressional budget negotiations. The dollar will probably take its lead from the bond market. The main concern will be that spending cuts, sending a clear signal about deficit reduction, should take priority over tax cuts.

While the French franc returned to the back-burner last week, few believe that the tussle between speculators and the central bank is yet over. Mr Marke Cliffe, chief international economist at HSBC Markets, notes: "*Franc fort* has been sold on the basis that it means lower interest rates. If rates keep having to be raised, the game would be up." Last week the central bank raised the 24 hour emergency lending rate to 7.25 per cent, from 6.15 per cent.

Germany: M3

Annualised % change over previous 4th quarter



Source: Datastream

Baring Securities emerging markets indices

Index	13/10/95	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (362)	146.20	-1.09	-0.74	-3.68	-2.46	-11.83	-7.49
Latin America							
Argentina (23)	78.31	-1.66	-2.07	-5.93	-7.04	-7.80	-9.06
Brazil (23)	195.22	+0.52	+0.27	-10.25	-4.99	-14.18	-6.76
Chile (15)	186.33	-0.46	-0.25	-3.68	-1.94	-25.23	-11.93
Mexico (24)	70.26	-2.37	-3.26	-11.06	-13.60	-27.37	-28.03
Peru (15)	1,006.89	-11.64	-1.14	-102.74	-9.26	+158.22	+16.64
Latin America (100)	119.85	-1.35	-1.11	-9.72	-7.51	-18.92	-13.63
Europe							
Greece (20)	100.82	-1.06	-1.04	-2.30	-2.23	+13.83	+15.89
Portugal (23)	117.13	-0.89	-0.76	+7.55	+6.89	+0.86	+0.74
Turkey (21)	99.64	-5.56	-5.29	-8.70	-8.03	+23.53	+30.91
South Africa (33)	142.18	+1.83	+1.30	+5.27	+3.85	+14.23	+11.12
Europe (97)	116.42	+0.47	+0.41	+3.00	+2.65	+18.72	+19.16
Asia							
Indonesia (32)	143.98	+2.08	+1.47	+0.38	+0.27	+10.29	+7.70
Korea (23)	155.91	+1.78	+1.15	++10.53	+7.24	+16.03	+11.46
Malaysia (22)	219.23	-4.91	-2.19	-7.60	-3.35	+8.37	+3.97
Pakistan (16)	63.72	-3.70	-4.23	-7.50	-8.22	-22.48	-21.17
Philippines (15)	265.18	-1.27	-0.48	-0.94	-0.35	-16.95	-8.01
Thailand (26)	259.43	-0.77	-0.30	+5.19	+2.04	+7.79	+3.10
Taiwan (31)	133.26	-2.51	-1.85	+4.33	+3.36	-50.89	-27.64
Asia (163)	207.66	-1.80	-0.86	+1.62	+0.79	-2.96	-1.40

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, October 13, 1995. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	6984.61	4442.00	3106.25	4412.22
Albania	(Lek)	145.447	92.5000	64.7281	91.8798
Algeria	(Dinar)	79.2412	50.3950	35.2835	50.0671
Andorra	(French Fr)	7.8204	4.9736	3.4802	4.9402
[illegible]					
Gibraltar	(Gib £)	1	0.6360	0.4450	0.6317
Greece	(Drachma)	367.454	233.690	163.523	232.123
Greenland	(Danish Krone)	8.7160	5.5431	3.8787	5.5058
Grenada	(E Carr $)	4.2455	2.7000	1.8893	2.6819
[illegible]					
Norway	(Nor. Krone)	9.8513	6.2715	4.3884	6.2295
Oman	(Rial Omani)	0.6054	0.3850	0.2694	0.3824
Pakistan	(Pak. Rupee)	49.6898	31.5864	22.1037	31.3768
Panama	(Balboa)	1.5724	1	0.6997	0.9933
Papua New Guinea	(Kina)	2.0813	1.3236	0.9262	1.3147
Paraguay	(Guarani)	3085.84	1962.50	1373.24	1949.34
[illegible]					
Zambia	(Kwacha)	1480.50	941.815	658.887	935.302
Zimbabwe	($)	14.0986	8.9650	6.2732	8.9049

Special Drawing Rights October 12, 1995 Utd Kingdom £0.951905 Utd States $1.49668 Germany DM2.12918 Japan Y151.389 European Currency Unit Rates October 13, 1995 Utd Kingdom £0.836431 Utd States $1.31487 Germany DM1.87435 Japan Y132.171

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate; (t) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate ; ‡ Russia applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a. (2) Official fixed rate introduced on May 22.

Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365.

To obtain a copy of this table by Fax from the Cityline service dial 0891 437001. Calls charged at 39p/minute cheap rate, 49p/minute at all other times

Friday, October 13, 1995

ATHENS STOCK EXCHANGE 9 - 13 Oct '95 — GREECE

				GDP (USD bn)	106.51
ASE INDEX	914.38	P/E 95e (after tax)	13.8	Per Capita Income (USD)	9,810
%Chg (Prev. Wk)	-0.49	P/E 94 (after tax)	15.6	Inflation Rate (% Y.O.Y, Sept 95)	8.40
Yearly High	996.75	EPS GROWTH (%) 95e	27.0	12 month T-bill (%, end of Sept issue)	14.25
Yearly Low	782.22	P/CE 95e/94	9.8 / 10.9	1-month Athibor (%)	15.23
WEEKLY VOLUME (USD m)	128.73	P/BV 95e/94	3.8/ 3.3	GRD-US$	233.56
%Chg (Prev. Wk)	27.20	Div. Yield (%) 95e/94	4.9 / 4.4	A.S.E. Market Capitalisation -29/9/95 (USD bn)	16.95
1 Y Wk Avg (USD m)	88.24			IPOs & Rights Issues (USD m Jan'95-13 Oct '95)	192.71

CREDIT SUISSE (LUXEMBOURG) S. A.

Notice of resignation of sub paying agency

Notice is hereby giveo that with effect from December 1, 1995,
Crédit Suisse (Luxembourg) S. A.
56, Grand Rue
L-1660 Luxembourg
will tender its resignation as sub paying agent for the issues listed hereafter.

All the bolders of Coupons, Notes, Bonds, Depositary Receipts and Debentures of the bere-after meotioned issues sbould note that the oew sub paying agent will be:
Kredietbank S. A. Luxembourgeoise
43, Boulevard Royal
L-2955 Luxembourg

USD 100 Mio. 4,875%, Crédit Suisse (Panama) S. A., 1997, (XS0000000744)
USD 200 Mio. 6,000%, Nestlé Holdings Inc. 1998, (XS0030330582)
USD 200 Mio. 7,125%, Nestlé Holdings Inc. 1996, (XS0034805696)
USD 250 Mio. 3,625%, Nestlé Holdings Inc. 1999, (XS0039866081)
USD 500 Mio. 4,875%, CS Holding Finance BV Conv. Subord., 2002, (XS0040461963)
USD 200 Mio. 6,125%, Crédit Suisse (Loodon), 2003, (XS0045716908)
USD 300 Mio. 6,375%, Sandoz Overseas Finance Ltd., 2000, (XS0042337609)
DEM 200 Mio. 6,375%, Air Canada, 1997, (DE0004802822)
DEM 500 Mio. 0,000%, Crédit Suisse (Guernsey) Ltd., 2002, (DE0004087507)
DEM 150 Mio. 2,625%, Crédit Suisse (Panama) S. A., 1995, (DE0004771175)
DEM 600 Mio. 6,250%, Crédit Suisse London Branch, 2003, (DE0004121207)
DEM 200 Mio. 6,750%, Farming Finance Ltd. BNA, 1998, (DE0004843727)
DEM 100 Mio. 5,750%, First Interstate Bancorp., 1996, (DE0004779152)
DEM 200 Mio. 5,750%, General Motors Corporation, 1996, (DE0004782859)
DEM 225 Mio. 6,000%, Philip Morris Companies Inc., 1996, (DE0004776406)
DEM 300 Mio. 8,250%, Saskatchewan (Province of), 1999, (DE0004061858)
DEM 200 Mio. 11,000%, Saskatchewan (Province of), var. ab 12.02.95, 2003 (DE0004096953)
DEM 100 Mio. 6,000%, Westland Utrecht Hypotheekbk. NV, 1997, (DE0004801501)
DEM 25 Mio. 6,250%, SKA Deutschland Serie 5, 1996, (DE0003822052)
DEM 25 Mio. 6,500%, SKA Deutschland Serie 6, 1996, (DE0003822060)
ITL 150 Mia. 12,200%, Crédit Suisse (Gibraltar) Ltd., 1996, (XS0031619868)
ITL 200 Mia. 11,625%, Crédit Suisse (Gibraltar) Ltd., 1997, (XS0037640447)
CAD 500 Mio. 0,000%, Crédit Suisse (Guernsey) Ltd., 2000, (XS0015095358)
LUF 2500 Mio. 9,125%, Crédit Suisse (Luxembourg) S. A. Subord, 2001, (XS0035226959)
DEM 400 Mio. FRN, Saskatchewan (Province of), 1997, (DE0004014840)
DEM 300 Mio. FRN, Neuseeland, 1997 (DE0004007257)

October 16, 1995

LEGAL NOTICE

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVERS

Name of company: Henry Tooze & Co Limited. Registered No: 1691021. Trading name: Henry Tooze & Co Limited; Unitek. Trade classification: 11. Name and address of joint administrative receivers: David John Stokes and Stephen Jonathan Taylor, Coopers & Lybrand, 1 East Parade, Sheffield S1 2ET. Office holder numbers 2682 and 7821. Date of appointment: 5 October 1995. Name of appointer: National Westminster Bank Plc.

Signed: D J Stokes.

Date: 6 October 1995

WORLD BOND MARKETS: This Week

NEW YORK — Tony Jackson

After last week's strong close, the US bond market will be seeking to push into new ground this week. Friday's closing yield on the long bond of 6.3 per cent was seen as a technical breakthrough, taking the yield below its five-month trading range of 6.4 per cent, set the day before.

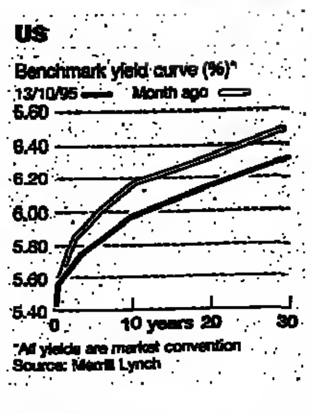
At the same time, Friday provided an encouraging combination of a further drop in the September inflation figure and strong retail sales.

Today brings the August figure for business inventories, which is expected to show a slight rise of 0.1 to 1.2 per cent. This is a sensitive figure, since much of the slowdown in the US economy is attributed to an inventory overhang.

More direct evidence comes tomorrow, with the September figure for industrial production. Analysts expect an increase of approximately zero, after what is taken to have been an aberrant jump in August.

Capacity utilisation is expected to dip slightly to around 84 per cent.

Wednesday sees balance of payments figures for August, expected to show a deficit of around $11bn after $11.5bn in July. On Thursday, September data on housing starts should show an unchanged picture of some 1.4m units. In receot months, the pattern has beeo of strong growth year-oo-year but interest rates seem high enough to make a sustained recovery difficult.



*All yields are market convention
Source: Merrill Lynch

LONDON — Graham Bowley

Government borrowing and the strength of consumer demand on the British High Street are likely to be the focus of attention in the UK government bond market this week.

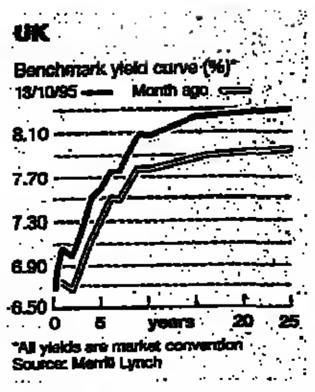
Data on the UK's public sector borrowing requirement for September are published tomorrow. The PSBR totals £16.7bn so far this year and the consensus expectation is for a further rise of around £2.8bn last month, compared with £4.1bn in September 1994.

Sensitivity towards the government'a growing borrowing requirement, which now looks set to exceed initial forecasts, increased last month after the Bank of England failed for the first time to sell all the gilts it had on sale at auction, causing a sharp fall in prices.

Tomorrow, the Bank is due to announce details of next week's gilts auction, which is of 20-year stock, and likely to be £3bn in size.

Retail sales figures for September are published on Wednesday. Sales fell in August but some economists expect that there may have been a strong rebound.

Coming on top of a pick-up in retail price inflation in September, as figures last week showed, any rebound in sales could raise suspicions that retailers are at last successfully passing on price rises to their customers. Any evidence of this could be damaging for gilts.



*All yields are market convention
Source: Merrill Lynch

FRANKFURT — Wolfgang Münchau

Uncertainty among investors continues, with no indications that the gulf between the short-term and the long-term ends of the bond market is about to close.

The Bundesbank last week continued with its well hinted-at policy of gradual cuts in the securities repurchase rate, with a cut from 4.05 per cent to 4.03 per cent.

It appears that the repo rate is approaching the 4 per cent mark asymptotically. Most economists in Germany do not believe that the rate will fall below this level.

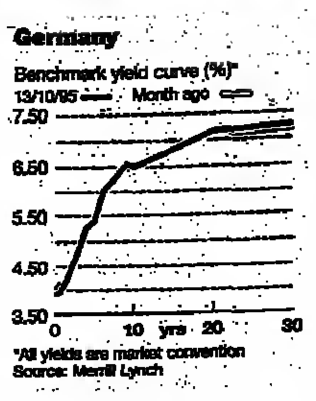
Expectations that Germany is at or near the bottom end of the interest rate cycle would suggest a cautious investor attitude towards longer-term bonds.

This caution is underlined by fears – occasionally bordering on the irrational – that the advent of the single European currency would devalue long-term D-Mark denominated paper.

Returns on 10-year bunds are now at 6.5 per cent, which makes for an unusually steep yield curve.

The yield curve is at its steepest in the medium-term range, at between four years and six years, which coincidentally reflects the time horizon of an eventual transition from the D-Mark to the single currency.

Beyond six-year instruments, which yield about 6 per cent, the yield curve flattens considerably.



*All yields are market convention
Source: Merrill Lynch

TOKYO — Emiko Terazono

As investors await interim earnings announcements over the forthcoming weeks, the leading question seems to be how asset allocation among institutions will be affected.

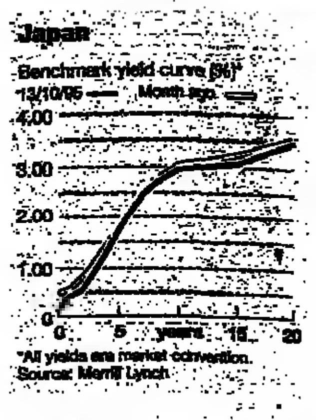
The expected strong results by companies thanks to low interest rates and the rally in the bond market may lift sentiment for equities.

"The main negative factor for Japanese government bonds could be a shift in the preferences of investors, which will be seen in a change in asset allocation," says DKB International.

If the stock market is supported by favourable earnings announcements, this could also encourage institutions to take on more risk in terms of foreign bonds.

On the other hand, DKB believes other factors, including the yen and an increase in supply, remain neutral for bonds The yen has stabilised at around Y100 to the dollar and supply concerns have eased thanks to active buying of bonds by the Bank of Japan which is eager to limit a rise in long-term rates at a time of economic weakness.

As long as the central bank keeps both short and long-term rates low, the downside to the market is likely to be limited. But buying by banks, which had aggressively built up positions in bonds during the summer, has slowed considerably and confidence could be affected if the equity market sees a near-term boost.



*All yields are market convention.
Source: Merrill Lynch

Government bonds

Gilt market attention returns to the PSBR

The UK governmant bond market had a rough ride last week, and things aren't likely to get any easier over the next few days, with funding worries, tax-cut talk, inflation concerns and political jitters set to keep sentiment fragile.

Gilts started last week with disappointing September producer price data, marked by an unexpectedly large jump in input prices which implied that price pressures had not abated to the extent that most had hoped for.

Thursday's release of September retail prices sent another shock wave through the market, with a larger than expected jump in both the headline and underlying rates, to 3.9 per cent and 3.1 per cent, respectively.

This week's retail sales oumbers for September, published on Wednesday, will now be keenly watched for any signs that retailers are passing on higher prices to consumers. After falling in August, sales could have staged a strong rebound in September, some analysts predict.

"Everyone will be looking at the retail sales numbers – if sales of household goods and clothing and footware are strong, that could be a bad sign that inflation on the High Street is creeping back in," says Mr Huw Roberts, European bond strategist at NatWest Markets. In addition to higher food prices, those two sectors caused last week's jump in the underlying RPI rate.

Meanwhile, heavy hints on tax cuts in the November 28 budget from prime minister John Major and chancellor Kenneth Clarke at last week'e Conservative Party conference renewed funding concarns. Dealers wondered how such cuts, seen totalling some £4bn, would be financed – especially against the background of a disappointing PSBR out-turn for this year.

"The consensus has tilted in favour of tax cuts and unchanged base rates," notes Mr Kirit Shah, bond strategist at First Chicago. "This is likely to prompt renewed fears of PSBR/supply pressures in the longer term."

But soma say worries about fiscal laxity are being overdone. "The Budget will be tighter than tha market fears," said Mr Simon Briscoe, UK economist at Nikko. "They'll only cut taxes if they can afford it, most likely by offsetting public expenditure cuts."

Nevertheless, tax-cut talk, and tomorrow's auction announcement, have brought the focus back to the government'e 1994/5 borrowing requirement, which now looks set to exceed its forecast of £34bn by np to £4bn, traders say.

"Whichever PSBR assumption is used, at this halfway point of the financial year the anthorities are behind with their gilt funding," reckons Mr Don Smith, gilts analyst at HSBC Markets.

Under the Treasury's £24bn forecast, which implies total gilt funding of £27m, the £13bn done so far represents just under half, he says. HSBC's forecast of a £28bn PSBR would bring total funding, including underfunding from last year and redemptions in the current year, to £31bn, and the £13bn of sales eo far would represent only around 40 per cent of the total.

The next anction is to be held on October 25 and will be in the 2014–16 maturity range, with £3bn of 8 per cent gilts due 2015 most likely. Market sentiment before the auction is expected to be nervous, given that the 10-year auction in September was not fully covered.

However, Mr Briscoe says the previous sale faltered for specific reasons that are unlikely to apply this time. Moreover, he adds, the previous 'worst' auction, in June 1993, which was covered only 1.1 times, was followed by one that was 2.29 times covered – the highest ever bid-offer ratio for a fixed-rate gilt.

Meanwhile, the defection last week of Mr Alan Howarth, a Conservative MP and former minister, to the opposition Labour Party, highlighted the continuing political risk overhanging the gilts market.

"The government is surviving on a wafer-thin majority that could be overturned at any time," warns Mr Mark Fox, chief European strategist at Lehman Brothers.

The Conservative Party has repeatedly shown itself split on a variety of issues, any one of which might tempt a small number of Conservative MPs to vote against their government, he says.

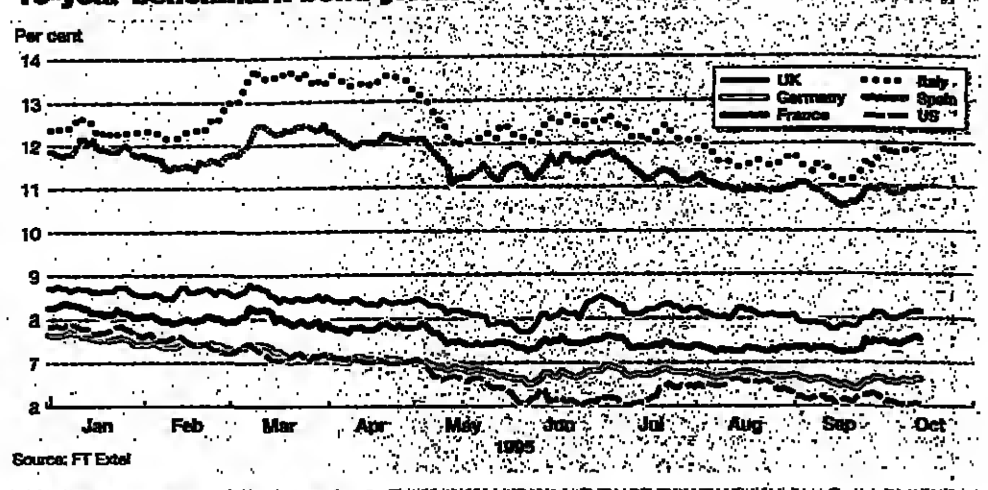
"Simply as e matter of probability, something could go wrong for the government. Investors should attach a 65 per cent probability to an election by next [antumn]." To reflect this uncertainty, 10-year gilts' yield spread over bunds could widen further to around 200 basis points, he predicts.

But others argue that political risk is already discounted in the market, and is largely responsible for causing gilts' yield spread over German bunds to widen from around 110 basis points in June to 168 basis points on Friday.

"Politics has been pretty mnch priced in," says Mr Briscoe. "The last two or three years have seen sleaze, a leadership cootest and so much wrangling over Europe that any investor worried about politics would have sold by now."

Conner Middelmann

10-year benchmark bond yields



Source: FT Extel

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.25	0.50	3.50	6.15	9.00	6.75
Overnight	5.69	0.47	4.06	5.87	10.06	6.63
Three month	5.46	0.46	4.00	6.37	10.43	6.68
One year	5.59	0.25	3.94	6.18	10.50	7.06
Five year	5.81	1.51	5.37	6.85	11.31	7.59
Ten year	5.97	3.00	6.52	7.51	11.73	8.06

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	116-02	117-14	+1-11	117-19	116-02	259,380	350,657
Mar	115-22	117-02	+1-11	117-07	115-22	6,184	16,174
Jun	115-31	116-19	+1-12	116-22	115-31	700	3,433

Syndicated loans

Siemens makes debut with $2bn deal

Siemens, the triple-A rated German electronics giant, has turned to the international syndicated loans market for the first time and has asked J.P. Morgan to arrange a $2bn seven-year facility.

The proceeds of the facility are for general corporate purposes and to support its commercial paper programme. J.P. Morgan said a limited number of international and German relationship banks would be invited into the deal. Syndication is expected to close in a week.

Siemens will pay a commitment fee of 5 basis points on the undrawn part of the facility for the first five years, stepping up to 6¼ basis points for the final two years.

The margin over the London interbank offered rate (Libor) is 10 basis points for the first five years, rising to 12½ basis points for years six and seven. There is a ntilisation fee of 2½ basis points on usage of more than half of the loan.

The other new deal in the market is a $250m aircraft financing for SAS, the Scandinavian airlina, which is being arranged by Crédit Suisse and Sumitomo. The financing is linked to SAS's order of 40 new Boeing 737-600 aircraft, worth abont $1.2bn, which are due for delivery next year.

The high levels of liquidity in the market have allowed some borrowers to increase the size of their facilities. Chemical Bank, one of the arrangers of a two-tranche facility for Israel, said interest in the loan had been such that the size had been doubled to $200m.

Israel will pay margins of abont 50 basis points over Libor on the five-year loan and around 45 points over Libor on the four-year loan.

Vodohospodarska Vystavba, the Slovakian water utility backed by the Republic of Slovakia, has also been able to lift its five-year facility from an initial target of $125m to $200m. J.P. Morgan said the first stage of forming a group of arrangera had been concluded and that the deal was open to general syndication.

VV is paying a margin of 100 basis points over Libor for the first two years of its debut loan, rising to 125 basis points for the remaining three years.

Meanwhile, Investicni a Postovni Banka of the Czech Republic increased the size of its three-year loan from $150m to $175m. The borrower is paying a margin of 25 basis points over Libor.

A syndicated loan for Mediocredito Fondiario Centroitalia, a medium-term lending institution based in the Marche region in Italy, has been increased to L120bn from L75bn following over-subscription in general syndication. The borrower is paying 35 basis points over Libor on the five-year facility.

The strong response to the DM350m five-year term loan facility on behalf of Fiat Bank, a subsidiary of the Italian car company, could prompt the borrower to raise a larger amount, bankers said.

Other deals which are currently in syndication inclnde the £800m acquisition facility for Scottish Power. Royal Bank of Scotland, the arranger, said the response was positive.

Bankers estimate that as about $18bn has been committed to financing the takeover fever which is currently raging in the UK electricity sector, "this is a clear demonstration that the market is still very liquid for this kind of financing", said one banker.

Banks have been keen to get involved in the 10 or so acquisition-related loans because of the up-front fees, the low risk associated with the industry and the short-term nature of the financing. These loans are expected to be refinanced fairly quickly in the capital markets. The strong interest in the deals has allowed margins to come in from 100 basis points over Libor to 25 basis points in a matter of months.

The debate about whether margins in general are close to the bottom has been fuelled by the recent rise in funding costs for Japanese banks. This development has been seen by some bankers as a watershed for the market.

One banker said Japanese houses had started to turn down invitations to some transactions on the grounds of over-aggressive pricing.

Although four Japanese banks joined the £700m credit facility for BTR, the UK industrial group, which carries a margin of just 11¼ basis points over Libor, they opted to contribute £30m rather than taking the higher £60m ticket.

Such anecdotal evidence that the Japanese are becoming more cautious in their lending policies is starting to have a ripple effect. "Banks are getting nervous about being in the market with underwritten deals," said one banker.

Antonia Sharpe

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Paramount Bed Co.(a)♦	100	Oct.1999	2.75	100.00	-	-	Daiwa Europe
O-Crystal(c)♦	69.7	Oct.1999	3.375	100.00	-	-	Nikko Europe
BBV International Finance	150	Oct.2005	6.875	99.416R	6.958	-	PaineWebber Intl.(UK)
Spintab(f)‡	125	undated	(ff)	100.00R	-	-	JP Morgan Securities
Ciba-Geigy Quimica(g)	50	Oct.1997	8.875	100.00R	8.875	+295(5⅞%-97)	Paribas Capital Markets
Abbey National(k)	750	Oct.2005	6.69	99.971R	6.694	-	Gold.Sachs/Lehman
Fannie Mae(m)	500	Oct.1998	6.25#	99.969R	6.261	+45 (5⅞%-98)	Gold.Sachs/M.Lynch
LB Schleswig-Holstein(n)	200	Nov.1999	6.00	99.68R	-	+12 (o)	BNP Capital Mkts.
SIDERAR SAIC	60	Oct.1997	11.0#	100.00R	11.00	-	Citibank Intl.
GECC(q)	50	Sep.1998	6.625	100.82R	6.298	+37 (5⅞%-98)	Paribas Capital Mkts.
Chemical Master Credit(p)(s)	750	Oct.1998	(s)	100.00	-	-	Chemical Securities
Chemical Master Credit	600	Jan.2003	6.23	-	-	-	Chemical Securities
Asian Development Bank	750	Oct.2005	6.25	99.38R	6.336	+25 (6½-05)	Daiwa /Morgan Stanley
Electrobras	100	Oct.1998	10.0#	99.25R	10.30	-	ABN Amro H.Govett
Globo Participacos	125	Oct.2003	10.75	100.00R	10.75	-	Chemical Inv. Bank
D-MARKS							
Bayer. Vereinsbank O'seas(i)	300	Dec.1998	5.00	100.16R	4.94	+20(5%-98)	Bayerische Vereinsbank
Merrill Lynch & Co.(i)	200	Dec.1998	5.25	100.00R	5.25	+50(5%-98)	Merrill Lynch Bank
City of Montreal★	70	Nov.2001	6.50	100.125	6.474	-	Merrill Lynch Bank
CFD	160	Nov.1998	4.75	100.175R	4.686	+12(5¼%-98)	CSFB-Effectenbank
Euro. Hypothekenbank	100	Oct.2002	(t)	102.05	-	-	Deutsche Bank
YEN							
World Bank(d)★	10bn	Dec.2005	3.00	100.325	-	-	Bk.of Tokyo Cap.Mkts.
SWISS FRANCS							
Japan Transcity(b)★♦	70	Oct.1999	0.75	100.00	-	-	Credit Suisse
Deutsche Ausgleichsbank	150	Nov.2004	4.375	102.125	4.088	-	Banca del Gottardo
DSL Bank(l)	150	Dec.2002	4.25	103.00	-	-	Credit Suisse
Merrill Lynch & Co	100	Dec.2001	4.25	101.725	3.922	-	Merrill Lynch/B.Gott.
Vorarlberger Bank	100	Dec.2001	4.125	102.75	3.807	-	Banca del Gottardo
STERLING							
Southern Investments UK‡	627.07	Oct.2000	(s)	100.00	-	-	SBC Warburg
BAT International Finance(b)	300	Oct.2020	9.25	98.46R	9.412	+85(8¾%-17)	BZW/ HSBC Markets
Bradford & Bingley BS(b)	100	Nov.2001	(t)	100.00	[illegible]	[illegible]	HSBC Capital Mkts.
GUILDERS							
General Electric Capital	250	Dec.1998	5.375	[illegible]	[illegible]	[illegible]	SBC Warburg
Dresdner Bank	250	Dec.2002	5.50	[illegible]	5.869	[illegible]	[illegible]
De Nationale Investeringsbank	200	Nov.2000	6.00	100.40R	5.905	[illegible]	ABN Amro H.Gov.
LUXEMBOURG FRANCS							
DSL Finance(l)	2bn	Dec.2003	6.875	102.65	6.44	-	Kredietbank Lux.
Great Belt(l)	2bn	Dec.2001	6.50	102.65	5.97	-	BIL
GECC(l)	2bn	Dec.2000	6.125	102.25	5.60	-	Banque Paribas Lux.
ITALIAN LIRE							
European Investment Bank‡	650bn	Dec.1998	(u)	100.10	-	-	[illegible]
RAND							
Bayerische Vereinsbank(j)	250	Nov.1999	14.50	101.60	-	-	[illegible]
AUSTRALIAN DOLLARS							
European Investment Bank	100	Nov.1998	7.00	100.11	6.958	-	Hambros Bank
PUNTS							
Kredietbank Intl. Fin.	45	Nov.1995	7.75	98.728R	-	-	Kredietbank
DANISH KRONER							
Finance for Danish Industry	400	Nov.2000	7.25	101.70	6.837	-	Unibank
Commerzbank Overseas Fin.(l)	400	Nov.2001	7.50	101.75	7.131	-	Kredietbank
PESETAS							
Eurofima	20bn	Nov.2015	10.68	100.00	10.68	-	BBV/Cred./JPMorgan
CZECH KORUNA							
Nordic Investment Bank	1.5bn	Nov.2000	10.625	100.10R	10.60	-	Bayerische Vereinsbank

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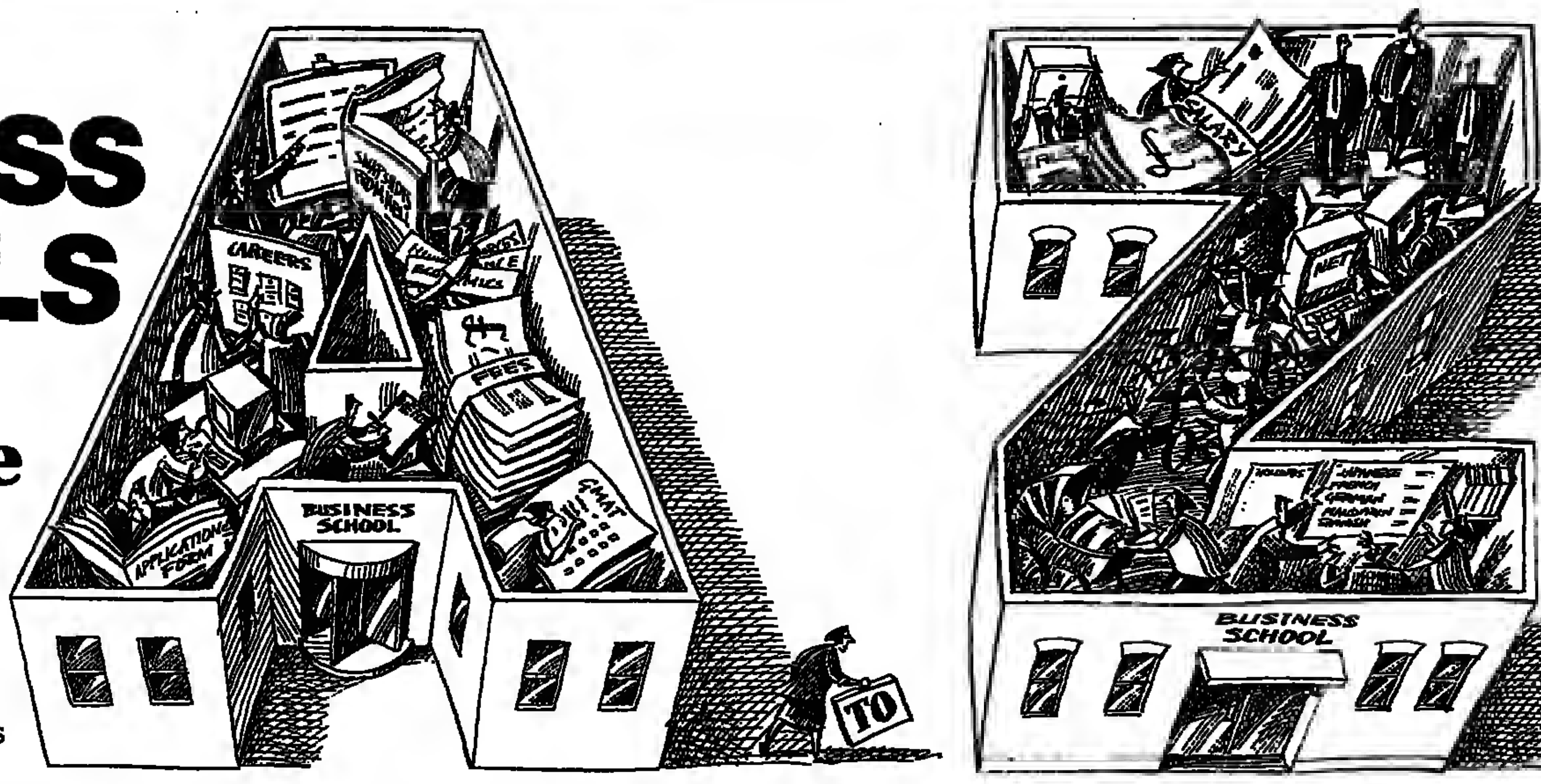
BUSINESS SCHOOLS



Europe-wide move on MBAs

The outlook is promising and increasingly international, writes Tim Dickson. A key issue that needs tackling is accreditation

In many respects the outlook for international business schools could scarcely be more encouraging.

Effective management, after all, is increasingly seen as a crucial differentiation between industry leaders and corporate also-rans, a prerequisite for coping successfully with rapid market and technological change.

A new generation of properly trained boardroom executives – many with the Master of Business Administration (MBA) qualification to their names – is fast adding credibility to the concept of lifelong learning.

And the pitifully low level of education outside the largest corporations implies that there is still considerable scope for those trying to raise overall standards of business and managerial competence.

Like the companies whose executives they teach, however, business schools are being forced as never before to cope with short-term uncertainty and a fiercely competitive and international environment.

Applications to join this autumn's MBA programmes of the top schools in Europe and North America appear to be sharply up – but the question remains whether this bounce back can be sustained or whether the marked decline in the number of students taking the key American Graduate Management Admissions test is a significant pointer for the longer term.

Business schools, moreover, face a continuing struggle to convince employers that their teaching is relevant to today's corporate concerns and that their intake acquires implementation as well as analytical skills while on campus; to convince students that their talk of internationalisation in faculty, student and curriculum arenas is more than just public relations hype; and to convince themselves that the gathering multimedia revolution presents as many exciting opportunities as it does dark threats.

One issue rapidly resurfacing which may require tackling sooner rather than later, though, is that of accreditation. Business schools offering MBA programmes have sprouted up like rain-refreshed mushrooms everywhere in the past few years, with more than 100 programmes in the UK, for example, more than 200 in Spain and as many as 80 in the German-speaking countries where there has been little or no tradition of post-experience management education.

Ironically it is the Germans, with the smallest number of MBAs for any sizeable European country, who are spearheading the latest drive to introduce a viable European accreditation approach.

Concerned by the rising tide of local institutions offering MBAs outside the country's university system – as well as a wave of alliances between little-known foreign business schools and local consultants – the German Employers' Federation and the German Chambers of Commerce joined with their Swiss and Austrian counterparts last September to set up a new organisation called Fibaa (Foundation for International Business Administration Accreditation).

Dr Harms Kaufmann, a member of the directorate of Bonn-based Fibaa, believes action on standards is urgently needed because of the "growing internationalisation of trade and commerce" and the rising number of MBAs (both German and non-German) working for local companies. Business schools, be adds, are filling a gap which has been largely vacated by the highly regulated state universities. "They are slowly reforming themselves but they are still very first degree orientated. They are not adequately meeting the demand from companies for regular skill updating sessions."

Dr Kaufmann insists that Fibaa's aim is primarily to protect employers and consumers in the German-speaking "bloc" – a function long performed in the UK by the Association of MBAs (Amba), in France by the Chapitres, in Spain by Aeede and in Italy by Asfor. While arguing that a common European approach is highly difficult but overdue, he denies that Fibaa is trying to "roll out" a German quality model across the continent and confirms that it is perfectly ready to work closely with the Brussels-based European Foundation for Management Development (in effect, the business schools' trade association).

He refutes any suggestion that Fibaa is a stalking horse for Europe-wide business school rankings – "that is quite different from accreditation, that is for the market or magazines" – or that it has any links with a rankings organisation. The misunderstanding has arisen, he explains, because Fibaa's predecessor may have had such an ambition.

EFMD – which has set up a special unit to pursue the idea of mutual recognition of different national systems, underpinned by common European norms – faces deep scepticism among some of its own members.

Mr Antonio Borges, dean of Insead, agrees that there is "a role to be played by an accreditation system of weeding out the frauds – the sort of people who are typically active in the more immature markets". But be objects that the experience of the American Assembly of Collegiate Schools of Business – which lays down standards on course content, size of faculty, research base and so on – demonstrates that such systems "don't acknowledge the best". IMD in Switzerland – another European school with a strong international reputation – sees accreditation as "a leveller rather than an encouragement of risk taking, innovation and novelty".

The challenge to find a solution on any basis other than the lowest common deoominator will certainly be formidable. But defenders of accreditation argue that the market will still award a premium (reflected in applications and recruitment) to the 15-20 European schools of undoubted quality. The prize, moreover, for a successful Europe-wide accreditation system will be a mucb wider acceptance and trust of the MBA "passport" in Germany and a more orderly business educatioo market in the new democracies of eastern Europe.

The internationalisation of business educatioo – and the growing demand from employers for recruits with a global perspective, language ability and IT skills – looks likely to force more schools to practise what they preach and enter into alliances with their rivals. Some relationships are already formal – The Community of European Management Schools and the Alliance of Management Schools in European Capitals to take but two networks – but imaginative ways of giving students access to different business cultures and job markets could be an important means of "product differentiation" in the second half of the 1990s.

This five-page A to Z is primarily about the MBA and issues surrounding it, as opposed to executive edncation generally. Whether to take a year or two out of full-time employment is a complex and personal decision – but evidence to be published next month by Amba and Hay Management Consultants points to the emergence of a new hreed of mid-1990s MBA.

Preliminary findings of their latest salary survey show that while 95 per cent of respondents to their 1992 survey cited "career change" as the main reason for embarking on an MBA, the most popular motivation this time was to improve job opportunitles. "Increasing salary" was more likely to be qnoted in the late 1980s than it is now, though the median base salary of £41,000 for the graduate sample (predominantly in the 36-40 age group) should provide a sultable inducement for some.

The traditional image of the MBAs student financing themselves, moreover, could also be changing. Fifty-one per cent reported that their employer paid all the fees and a further 20 per cent reported that their company paid a proportion. Only 16 per cent claimed that they received no financial support – an indication perhaps of the growing importance of the part-time MBA.

MBAs, bowever, remain concentrated in the consultancy sector followed by finance – these two categories account for 35 per cent of the Amba/Hay sample. The biggest single concentration – 31 per cent compared with 27 per cent in 1992 – is in the area of general management.

A LUMNI

Gone, but not forgotten

Alumni are the lucky people who already have an MBA. They are assiduously courted by the business schools they graduated from. They are a very important resource. For a start, they can be relied oo (usually) to say nice things about their alma mater. For example, most business schools have a list of alumni who are prepared to speak to the media.

They can be a source of jobs for the curreot crop of graduates. They help to interview applicants and will often turn up to boost their school at MBA recruitmeot fairs. They and their work colleagues may go back to their old school to attend short executive courses. Most especially, as Insead acknowledged a couple of weeks ago when it invited its MBA class of 1960 to the launch of a new fund-raising drive, they may be a source of revenue through gifts and endowments.

For these reasons alumni are certainly not forgotten. Alumni relations is becoming a key area of the way busioess schools manage their links with the outside world. There are alumni newsletters and get-togethers. Scattered alumni are encouraged to form groups in overseas cities and are almost always visited when an academic passes through. Many schools now offer free or low-cost MBA "top-up" courses of one or two days to lure alumni back to campus.

continued on page II

A-Z writers: Tim Dickson, George Bickerstaffe, John Authers and Vanessa Holder

A

AMBA

A standard setter

This stands for the Association of MBAs. Founded in 1967 by a group of British graduates of leading North American business schools, London-based Amba is a useful clearing house for inquiries from intending MBAs. Amba actively promotes the idea of management education and runs social and educational events for its 7,500 members.

Its most important function in a relatively unregulated sector, though, is arguably its accreditation programme. Currently 32 out of the more than 100 UK institutions offering MBAs – plus a further 12 in continental Europe – meet Amba's criteria.

The Association's Business School Loan Scheme – which has helped more than 5,000 applicants since 1990 – is run in conjunction with Barclays and National Westminster Bank. AMBA, 15 Duncan Terrace, London N1 8BZ: tel: 0171-837-3375.

Ashridge Management School, in Berkhamsted, Herts

AMOS TUCK

Remember the name

This small New Hampshire school is famous as the first graduate school of management in the world.

ADMISSION REQUIREMENTS

Forms of 20 pages

An application form issued by a leading business school is a daunting prospect. A 20-page A4 booklet is not unusual for a top US school.

The form typically asks for personal details, academic and work records, references plus three or four short essay questions designed to give an insight into the applicant's personality and attitudes.

The application form is the key element admissions offices use in selecting students. However good an applicant's qualification, if the completed form is not up to scratch he or she is unlikely to get further. This is particularly true of two aspects: references and essays.

Referees who are alumni of the business school being applied to are reckoned particularly useful. However, you have to be careful. You should not apply to just one school. Always apply to at least three.

The essay questions that appear in application forms are probably the most difficult part to complete. They are seen as a way of getting to the real personality of candidates. Some questions are straightforward, others are more outlandish but all have the same qualities – they are extremely "open" and require a good deal of thought about how to approach them.

Business school admissions offices claim to read every essay submitted and say they regard them as important, especially as a way of judging borderline cases. As more schools fish in the pool of international students, however, there is some concern that essay questions and the way admissions react to the answers may be reflecting cultural bias. This is one reason some schools are dropping the more "way-out" questions. Some schools are now simply asking for an essay on any subject the applicant chooses.

Interviews are the new admissions flavour of the month. As recently as the early 1990s few top schools bothered. Now there is rarely a school anywhere in the world that does not stress that interviews are "desirable" if not actually required.

The main reason is the universal review of MBA curricula over the past five years. These changes have made the personality of students – and their ability to respond to the soft issues of management – a much more important ingredient in their success in a programme. Schools believe it is essential to get a view of the individual "in the round".

Some self-doubt about the tried and tested admissions procedures of the past, however, is creeping in. There is concern, for instance, that the application form, the GMAT (see below) and TOEFL (Test of English as Foreign Language – required by most business schools for non-native English speakers) – all that many leading schools used to need to make an admissions decision – are no longer enough.

B

BOOKS

Antidote to the hype

The best description of what it's like to be at business school – particularly for the non-mathematically inclined – remains Peter Robinson's Snapshots from Hell (Nicholas Brealey Publishing, £9.99). The book is an irreverent antidote to some of the more extravagant campus hype.

Another "inside job" – Marketing Yourself to the Top Business Schools (John Wiley and Sons, $14.95) by Phil and Carol Carpenter – was published last month. A step-by-step approach to the admissions process by two successful candidates, there is specific information for women and minority applicants.

BUILDINGS

In a great tradition

Pleasant surroundings and good facilities are part of the management education industry's marketing mix. Ashridge Management College – a splendid mansion set in a 150-acre Hertfordshire country estate – likes to point out that it has been home over the last 700 years variously to Benedictine monks, the English parliament, Princess Elizabeth and the Dukes of Bridgwater. Cranfield is proud of its recent refurbishment and rebuilding which has given it infrastructure to support "the growing use of computer and video-based teaching techniques".

Coincidentally, both the school of management studies at the University of Oxford and the Judge institute of management studies at the University of Cambridge have been built on the sites of former hospitals – the Radcliffe Infirmary and old Addenbrooke's respectively.

C

CAREER SERVICES

Harder work

Career development officers, employed full time at the best schools, have had to work harder since the recession at "placing" their students. CV writing, advice on interview technique, corporate presentations, alumni evenings and the distribution of CVs to companies are among the services typically provided.

London Business School is claiming a European "first" for its new online CV service, London Gold (Graduate On Line Database) which allows companies to request relevant CVs using screening criteria such as career interests, language skills and previous degrees.

CONSORTIUM MBA

Perfect fit curricula

This course is typically run for small groups of companies which collaborate with a business school and have the curriculum "tailored" to their needs. Not all schools are prepared to do this, because of the work and time involved to do it properly.

Lancaster University Management School's MBA consortium, formed in 1989, comprises more than a dozen companies, including Ciba-Geigy, Pilkington, British Nuclear Fuels, VSEL and Royal Mail.

Henley Management College has about 900 people taking part in consortium MBA programmes. Its international programmes include such companies as Deutsche Aerospace and Mercedes-Benz.

CONTENT

The core of the course

What's in an MBA? Any programme described as an MBA should have some minimum standard content. At the very least, it ought to include courses in the following subject areas (though the names may vary): accountancy; economics; finance; human resource management; information management; marketing; organisational behaviour; quantitative methods.

This is usually described as the "core" of an MBA programme. Most business schools will usually designate them as required, or compulsory, courses. Beyond the core some schools may offer a series of "elective" courses for students to choose from. (see electives).

Besides distinguishing between the core and electives, it is worth finding out how international the content is and how diverse the student body and faculty. Is there an open-door policy by faculty, and a responsive administration willing to act on student concerns? Is there an emphasis on teaching skills, a good research base, the opportunity for foreign exchanges; and the chance to meet practising executives?

Durham University Business School graduate enterprise programme workshop

D

DISTANCE LEARNING

Working from home

This "sector" of the MBA market has enjoyed significant growth, notably in the UK. Distance learning is MBA-speak for a correspondence course and involves students working from home with books and other materials, sometimes but by no means always backed up by video and audio tapes, computer disks and a modem. Students at Henley Management College, for instance – one of the first into this market – can submit assignments electronically to the school and have them marked and returned by computer.

With the development of multimedia the scope for an expansion of distance learning is obvious, and many feel that more parts of conventional full-time courses will be delivered in this way in future. Weekend seminars and local support groups can alleviate the feelings of isolation from which many distance learning students suffer – inevitably, though, the drop-out rate is high.

Other UK schools to offer distance learning include the Open Business School, Warwick, Heriot-Watt, Durham and Strathclyde.

E

ELECTIVES

Additional options

"Core" courses (see Content) make up the whole of an MBA programme at relatively few business schools – most also offer additional optional courses or "electives" which are chosen on the basis of students' own interests or their future career plans. Electives can normally be taken across a wide range of subjects or grouped into specialisations, usually reflecting one of the core areas such as finance or marketing.

Some schools insist that students group electives into specialisations, often known as "concentrations". Others refuse to allow this. Most are in between, allowing students to make up their own minds. Generally speaking, the smaller an MBA programme in terms of students and faculty, the smaller will be the choice of electives. However, many schools also work closely with their parent universities to offer a wide variety of courses outside the business school itself.

EXECUTIVE MBA

Employer sponsors

This variant of the MBA "plant" is growing fast and has offered a popular means for North American schools trying to go global (eg Michigan, Chicago, Wharton and Fuqua).

Students are mostly fully sponsored by their employers, the work is more often than not closely related to experience, with a combination of weekend classes, self-study, and residential weeks in one or more locations. According to the latest edition of Which MBA?, though, some teachers say they are just "souped-up executive development programmes with an MBA label".

ETHICS

Now all of them do it

The first course in business ethics was offered by Harvard Business School in 1915. But the discipline has acquired a new prominence over the past 10 years, in the wake of a string of business scandals and increasing activism by consumer groups and lobbyists.

Over 500 courses on business ethics are available at US business schools. In the UK, the subject has taken root in a variety of guises. Professorial chairs in corporate governance, corporate responsibility, business ethics and social responsibility have been set up in such institutions as Leeds University, Manchester Business School and London Business School.

At other schools, ethics is interwoven with other social aspects of business. At Cranfield, for instance, the discipline of international management development is considered in the context of related issues such as cross-cultural management and managing a diverse workforce.

Environmental issues have become particularly popular, either as part of a more general course or as a subject in their own right.

Although ethics is often perceived as a theoretical, arcane subject, executives increasingly need to be able to analyse and defend their company's stance on moral issues.

While ethics courses are usually seen as a mainstream option, they sometimes have an offbeat touch. One such is the ethics seminar held by ISA, the Institut Superieur des Affairs, the postgraduate business school of the Hautes Etudes Commerciales. It is taught in a Benedictine monastery in the south of France by monks who have themselves been managers.

F

FACULTY

Reputation makers

"Faculty" is the jargon word for all the individuals who make up the teaching and research staff at a business school. Most emerge from the doctoral programmes run by universities and business schools themselves. They are an essential factor in allowing a school to maintain and build a reputation and to attract good students and good corporate support.

Most big business schools will rely almost entirely on their own teaching and research resources. But many will also have a number of "visiting" faculty from other business schools and soma may also use non-academics, such as practising executives or professionals.

Some criticism has been directed at business school faculty in recent years. At some schools they have been accused of being more interested in research than teaching, and of pursuing research that is often esoteric, narrow and of little relevance to real-life business.

This is a problem for the business schools since published research is the main way faculty can make career progress. Performance is generally judged on a proven record of published original academic research – and too often original inevitably means narrow and esoteric. An additional problem is that research volume and quality is taken into account by government funding agencies.

Teaching performance and track record, however, are increasingly used as a criteria both in recruitment of faculty and career progression. Most schools now ask students to rate the performance of their teacher at the end of each course and take the results seriously. Teachers who score top marks may be given an award and many schools, especially in the US, will offer remedial training to faculty who do poorly.

Some, though by no means all, faculty have had a business background at some time, and most schools allow and even encourage them to do private consulting work (most get one day a week out of school to do it). The aim is to prevent an "ivory tower" mentality and allow them to interact with the business world (as well as topping up their salaries).

Continued on next page

FEES

Onward and upward

Given the struggle most schools have been through to keep student numbers steady in the past three or so years, tuition fees might have been expected to come under pressure. It appears, though, (as the accompanying table demonstrates) that many schools in the UK at least have been able to increase fees by more than the rate of inflation.

The cost of an MBA, it must always be remembered, also includes living expenses and (in the case of full-time courses unsupported by employers) the opportunity cost of one or two years' salary.

Fees for EC students at UK business schools

School	Full-time 1994-95 (One-year course)	Full-time 1995-96	Part-time 1994-95 (Fee per year)	Part-time 1995-96	Distance learning 1994-95 (Fee for complete course)	Distance learning 1995-96
Bradford	£7,650	£8,250	£3,300	£3,375	-	-
City	£7,500	£9,000	£7,500	£7,500	-	-
Cranfield	£10,000	£11,000	£8,000	£8,500	-	-
Henley	£8,900	£9,790	£5,875	£6,175	£6,550	6,700
London Bus Schl - 1st yr	£9,800	£10,100	£21,600	not set	-	-
London Bus Schl - 2nd yr	£10,100	not set				
Manchester Bus School	£15,000*	£15,000*	£15,000†	£15,000†	-	-
Open University	-	-	-	-	£7,500	£7,725
Strathclyde	£8,500	£8,500	£8,500†	£8,500†	£7,250	£7,250
Warwick	£8,800	£9,300	£3,726	not set	£6,230	£6,440

Fees are given per year unless stated. *= 15-month course. †= Fees for complete course

Source: Association of MBAs

GMAT

Predictor of success

The Graduate Management Admissions Test (Gmat – usually pronounced gee-mat) is the common entrance exam for MBA programmes. Only a very few leading schools, most notably Harvard, do not require it.

The Gmat is sponsored and directed by the Graduate Management Admissions Council (GMAC). Its actual administration is undertaken by the Educational Testing Service in Princeton, New Jersey. (Address: PO Box 6108, Princeton, New Jersey, 08541, US).

The Gmat, which aims to measure understanding and reasoning ability, both verbal and quantitative, through multiple-choice questions, is frequently used as an initial screening mechanism. Top schools usually demand minimum score levels of at least 550 to 600 (the top possible score, rarely achieved, is 800).

The Gmat is generally reckoned a good predictor of success on an MBA programme. The evidence suggests that people who score poorly on the quantitative aspect of the test may well have trouble with subjects such as statistics, accounting and finance.

However, the test has come in for some criticism. Some schools have been concerned that the Gmat is too formulaic and that students can easily be coached in the techniques needed to gain a high score. There are more serious worries about supposed cultural bias in the test, which is said to work to the particular disadvantage of Japanese and other Asians. Many schools, however, say they allow for this alleged bias.

But because of these and other worries, the Gmat has recently been significantly revised.

A new-style Gmat introduced in October 1994 retains the multiple-choice sections but includes essay questions, which are difficult to prepare in advance and should give a more rounded picture of candidates. According to GMAC, business schools and employers asked it to include essay questions because they are interested in students' ability to address complex issues in writing. The essays, says GMAC, are not a test of writing skills but a test of thinking ability in a different format.

A registration form to take the Gmat can be obtained direct from Princeton together with the Gmat Bulletin of Information, which details test centres and dates and gives some sample questions.

HEFCE

Inspectors call

This stands for the Higher Education Funding Council for England, a quango, which along with the Higher Education Quality Council, a self-regulatory body, monitors and assesses higher education business courses in England.

The UK government, however, has given the go-ahead for a new external body to monitor and enforce standards. This will combine responsibility for ensuring degree standards are common across all institutions (currently the quality council's job) with regular inspections of universities to assess the quality of teaching and their research (the funding council's remit).

Funding council inspections sharply divide the business school sector. Some find them crude and unnecessarily intrusive, while others find inspections a valuable catalyst for change.

However, the inspectors' assessments provide the closest approach that yet exists to an objective ranking for all business courses.

The English funding council splits institutions into only three categories – excellent, satisfactory and unsatisfactory. Note therefore that an "excellent" rating is not quite the superlative badge that some colleges' marketing material might lead you to believe.

Hefce also takes a department's particular aims into account when assessing ratings. If a department only attempts to up-skill middle managers, rather than rival the likes of Harvard Business School, it will be ranked "excellent" if it fulfils its aims.

The most recent funding council assessments rate the following universities as excellent: Bath, City, Cranfield, De Montfort, LSE, Loughborough, Manchester, Umist (the University of Manchester Institute of Science and Technology), Northumbria at Newcastle, Nottingham, Nottingham Trent, the Open University, Surrey, Warwick, and the University of the West of England.

Some of these names may be unfamiliar, and it is worth noting that Oxford and Cambridge were deemed only "satisfactory". All business and management courses were rated at least satisfactory, although one, at North East Worcestershire College, was preliminarily assessed as being unsatisfactory before being re-assessed.

The front of the Baker Library, the most distinctive building of Harvard Business School

HOLIDAYS

Short time to recover

None. Well, not quite. MBA programmes do have breaks but these are usually short and overshadowed by examinations.

Two-year programmes offer a long university vacation between the two years but this is often taken up by a job, or "internship". Most MBA students spend whatever holidays they get recuperating from the previous term.

IT PROVISION

Electronic discussions

The use of information technology as a management tool has become an integral part of most MBA courses. The ability to use word processing packages and spreadsheets is seen as a basic skill; so too is the ability to navigate through the proliferating amount of information available on on-line databases, the Internet and CD-Roms.

IT is also making a difference to the way that courses are taught ranging from multi-media case studies to computer simulated business games.

At Cranfield, for instance, students can discuss topics with their lecturer and with each other using Lotus Notes, a groupware program that enables teams of people to share documents over computer networks. It is planning to extend this idea, so that groups of students can keep in touch with their peers and lecturers after they have finished the course.

City University also uses groupware to encourage students to discuss topics electronically. But the "VisionQuest" software that it uses allows the students to make comments anonymously. That tends to encourage wide participation among students and open, frank discussions. Another innovative use of groupware was tested earlier this year by Cranfield of the UK, Babson of the US and St Gallen of Switzerland. They conducted a "live" case study with ABB, the Swedish-Swiss engineering multinational. The ABB managers outlined a real problem, prompting an electronic dialogue with the students over an eight-week period.

Cranfield is also experimenting with IT for testing its students' knowledge. The students will receive immediate feedback on multiple choice or numerical answers. It envisages that the testing system could be coupled with groupware; if a student disagrees with the "correct" answer, he or she can go "on line" and argue the point.

INTERNET

Home page nuggets

The Internet has already become a valuable source of information for people considering taking an MBA. The Yahoo guide to business schools is a useful starting point, as it provides an alphabetical list of schools with home pages, together with other resources of interest to MBA students. Its internet address is: *http://www.yahoo.com/Business/Businessschools/*.

Some of the schools' home pages allow students to download application forms and make applications over the Internet. They also provide information about admissions criteria, programmes, faculty and research.

Harvard Business School, for example, allows browsers to find out about the overall vision of the course, the desired characteristics of graduates, the structure of the course, options, technology, career development and recruitment services, life outside the classroom, admissions, expenses and financial aid, people and a map of the campus. Stanford's home page includes a video of its dean discussing the advantages of the school.

IV AN A-Z OF BUSINESS SCHOOLS

J OB PLACEMENT

Help for job-seekers

The career services, or "placement" office at a business school has three main functions: to persuade existing MBA recruiters to return to campus next year; to attract new recruiters; and to train MBAs in how to present themselves as job candidates. Strictly speaking, the first two are "placement" activities, the third "career services".

At its best, which usually means in the US, placement involves a large number of well-known companies visiting a campus to conduct recruitment interviews or at least throw promotional, and free, cocktail parties. At its worst, it can be little more than a small room full of outdated annual reports and address cards.

In either case, MBA students should not really expect their business schools to find them a job. It is certainly in the school's interest for its graduates to secure high-paying, high-profile positions, but the trend over the last few years has been much more on career services – helping students find their own jobs – than on simply providing them as "job fodder" for investment banks and consultants.

Even so, traditional placement continues to exist. A key element is the "profile book" – increasingly issued on computer disk. This gives the personal details and work experience, academic background and career interests of all upcoming graduates. It is circulated to all major recruiters who use it to select candidates they would like to meet on campus.

On-campus recruitment usually starts towards the end of an MBA programme. Though the job search process can be a hectic period, the top schools are normally careful to ensure that it does not get out of band.

Manchester Business School this year notes an increase in recruitment by consultancies and manufacturing companies. On the whole, says Manchester, "recruiters are taking more time over recruitment decisions, often requiring candidates to undergo three or four sets of interviews and other assessment tests before reaching a decision". IMD says it has had many new companies seeking to recruit its students, notably German businesses.

Henley Management College, Oxfordshire

K IDS

Childcare problems

Juggling childcare with study is a daunting prospect for prospective MBA students with young children. That belps explain wby the number of women taking MBA courses remains relatively low, at about a fifth of the total in the UK and a third in the US.

A study by the City University Business School last year into women managers' attitudes to management education found that time commitments were seen as a major constraint, particularly for those with a family.

The principal difficulty is that the time when people get the most out of doing an MBA course often coincides with the age when they are most likely to have a young family.

One respondent to the survey said: "If an MBA is seen as a route to corporate management, it comes at just the wrong time for many women. Time off for kids and time for an MBA is just too much."

Financial considerations can also be important. The study suggested that women may find it harder to attract corporate sponsorship, since employers might feel it is not worth sponsoring a woman who might leave to have a family.

Moreover, women with children may be more reluctant to borrow money to take an MBA course. That is because they may feel unable to take highly-paid jobs at the end of the course which require long hours and travel and would therefore be incompatible with family responsibilities.

Nonetheless, the problems of combining studying and childcare should not be exaggerated. It is not necessarily more difficult than pursuing a demanding career.

"Young children don't make a huge difference," says Penelope McNeile, external relations manager at City University Business School. She studied full time for a City University MBA in 1993-94, while her children were aged five and three. She managed by employing a nanny to help look after the children and by being disciplined in her use of time.

Parents also favour flexible, modular courses allow students to spread out their workload. Some business schools, such as Ashridge Management College, are considering whether to set up a creche.

Teresa Scott, who runs her own training business, combines looking after her five-month-old child with studying for a part-time MBA at Warwick Business School. The infant accompanies her on the modular, week-long residential courses. So does her mother, who babysits during the teaching sessions.

Business schools are eager to publicise the experiences of women who have combined an MBA and a career with additional responsibilities. The willingness of these female role models to keep in contact with the school and help recruit other women is one factor behind Manchester Business School's success in doubling the proportion of women on its programme to 30 per cent over the past five years.

Manchester, which set itself the task of attracting a greater proportion of women without altering selection criteria in their favour five years ago, also believes that shortening its course and making it more flexible belped. It also attributes the rising proportion of women on the course to a greater emphasis on recruiting arts and social sciences graduates and a greater stress on "softer" skills in its promotional literature.

L ANGUAGES

Phobia alive and well

Languages are of growing importance for executives. More and more employers expect graduate recruits to be fluent in at least one language other than English, while speakers of a new wave of non-European languages, such as Japanese and Mandarin, are in particular demand.

It might therefore seem surprising that languages are not compulsory for MBA courses in the UK. The British national phobia about speaking languages other than English appears to be alive and well.

However, business schools are now actively encouraging students to take foreign languages, sometimes as a part of their main qualification. And they are under pressure from potential students to provide language tuition.

Although they are not compulsory, business schools now design language courses which can either count as an elective towards the MBA, or which can be taken relatively painlessly as a supplementary course.

"The drive to offer languages is definitely coming from the students," says one school administrator. "We think language provision which is flexible but not compulsory is what students take into account when choosing a school."

A range of private sector providers also now offers intensive courses designed to fulfil specific language needs when they arise.

Cranfield University's programme is typical – languages are not compulsory for MBA courses, but they are strongly recommended. The university's European languages department has been absorbed into the school of management, in an attempt to serve MBA students better. About two-thirds of them now take languages courses.

French and German can be taken as electives to count towards the MBA, or lead to qualifications from the London Chamber of Commerce and Industry.

City University's language services unit offers distance learning and evening tuition, with lessons over the telephone, and diagnostic tests to ascertain the level students have already reached. It also offers tightly tailored intensive courses in subjects such as how to read a balance sheet in French.

However, Tim Connell, City's director of language studies, says there is still little demand for courses which leave executives so fluent they can give a presentation in a foreign language. "MBA students tend to interpret their needs as the language they need to be able to travel and visit organisations overseas, and for surviving socially – they expect English to remain the lingus franca."

M ATHEMATICS

Calculus required

An MBA programme is a tough and analytically rigorous experience and it can be a mathematical grind of the first order. Most leading schools, especially in the US, require evidence of previous maths study, especially in calculus, and most demand a minimum level of ability. Most also run pre-programme refreshers or crammers in the quantitative arts. For those in any doubt about their ability, attendance is essential.

N EW UNIVERSITIES

Different missions

Britain's new universities have come in for a lot of criticism in recent months. Most of it has been unfair, and they have plenty to offer to the field of management education.

Criticism has centred on decisions by large recruiters such as merchant banks to avoid new universities when looking for graduate recruits. But new universities are not supposed to provide recruits for businesses like this.

Instead, their role is to extend high quality management training to individuals, and to companies that could not previously afford it. This is the natural extension of the role most of them used to play as polytechnics – primarily vocational colleges run by local authorities and aiming to meet the needs of the local economy. All the polytechnics, and a few other colleges of higher education, were upgraded to university status in 1992.

"New" universities account for virtually all the growth in the number of business schools over the past five years. Most of them have consciously different missions from their traditional rivals.

For example, North London Business School, part of the former Polytechnic of North London, has programmes to develop local businesses. These include a project to introdnce total quality management to the area's many small tailoring and textiles shops.

Bristol Business School, part of the University of West England, has programmes to help the area's local government manage the changes following the abolition of Avon county council, and also works with public sector clienis such as museums and nursing agencies.

Its MBA candidates tend to be in their 30s or 40s, and are drawn from the public sector and from middle management in the private sector. Many are part-time.

According to Professor Mike Rees, the school's dean, new universities' distinctive aim is to "meet the needs of the regional economy and to promote opportunities for life-long learning". Four of them were rated excellent in the last funding council assessment of business studies courses.

O UTDOOR DEVELOPMENT

From class to forest

Outdoor management training has had a mixed press in recent years, but it still forms a small part of the curriculum in some schools. The first of the four Integrative Learning Experiences (ILEs), organised as part of its programme by the Fuqua School of Business at Duke University, North Carolina, for example, steps outside the traditional classroom to develop skills such as teamwork through a group exercise in the North Carolina forest.

PUBLIC SECTOR

Signs of fertility

The public sector has not been seen as fertile ground for MBAs in the UK. But the series of reforms designed to enforce private sector disciplines over the last decade has provoked a response from the management education industry.

In local government, which has long lacked any structure for management education outside the professional training provided for lawyers and accountants, senior managers are now offered a one-year programme by the Local Government Management Board. The programme – a series nf short courses offered by external providers – is bespnke hut is aimed at bringing in the highest quality management trainers to work with local authnrity chief executives.

Business schools are also turning their attention to another new area, the management of partnerships. This includes courses in managing the new breed of general practitioners' surgeries, while Nottingham Law School offers a full two-year programme in managing legal practices.

MBAs with a public sector elective or option have sprouted in recent years, with Bradford Management Centre, Birmingham University and South Bank University among those offering this specialism. Up to 60 "fast-track" civil servants, meanwhile, will be able to study for a new public sector MBA which has started this term. The announcement of the project in the spring was seen as evidence of a new willingness by government to look to outside organisations' expertise.

The new civil service programme is to be developed by Imperial College School of Management in London and a three-way partnership comprising Cranfield, Manchester Business School and the Civil Service College.

Those who take the course study the core curriculum with other MBA students, but optional courses have been developed with a public sector theme. The degree can be taken full-time or part-time.

QUALITY

The magic letters

How can you tell if a business school programme that interests you is any good? Brochures are universally glossy and appealing, and programmes can appear very similar. One answer is accreditation.

Business schools in the US that offer an MBA degree are generally accredited by the American Assembly of Collegiate Schools of Business (AACSB), which lays down standards on course content, number of faculty, research base and so on. AACSB accreditatinn is a minimum "guarantee" that the MBA offered by a school matches a generally agreed set of standards.

There is no such accreditation system in Europe, the main MBA market outside the US. The nearest thing is the approval system run by the Association of MBAs (Amba) in the UK. The content and standing of MBA degrees outside the US are generally guaranteed by the universities that award the degree (and in some countries by government-sponsored inspection schemes).

Business schools in Europe have spent almost the last decade ruminating about accreditation. There are significant differences of opinion about how such a system could be introduced, what it might cover and what body could run such a system.

There are also question marks over whether accreditation is really needed. Even in the US, not all business schools see accreditation as a vital quality control. Some argue that schools that are accredited may be of lower quality than schools that cannot gain accreditation because of the strict rules of the system.

Most of the top schonls (especially in Europe) are content "to let accreditation be set by the market". In other words, good schools are good because they are perceived to be good and attract good students and good corporate recruiters.

MBA syndicate group at work at Manchester Business School

RANKINGS

Caution in Europe

Rankings are both the joy and the bane of business schools. Joy when they come near the top, of course, and bane otherwise. This is especially true in the US. Their effect has been enormous. Rankings developed by Business Week and US News and World Report are among tha largest influences determining the schools students apply to.

This is less the case in Europe. A number of business and management magazines in continental Europe have published rankings but none has found widespread support. There have been some attempts in tha UK, but again none has commanded the publicity – and reaction by the schools – of the Business Week ranking.

For American schools the rankings are a fact of life. In Europe there is some confusion. Many schools oppose them vigorously. On the other hand, some would like tn see authoritative rankings published by a respectable independent source if only to bring a semblance of order to a confused market.

Rankings are far from foolproof and need to be treated with considerable caution. The differences between leading business schools are nften minuscule and may not be attributable to the kinds of things rankings measure. Nn one should ignore ranking; but no nne should put too much faith in them, either.

SALARIES

No route to instant gold

For all business schools' commendable efforts to hnld nut the promise nf an exciting and stimulating academic experience, the one thing they are most desperate to demonstrate is the prosperous future which an MBA degree supposedly guarantees. Huge salary premiums were commoo in the 1980s, of course, but today's students are less likely immediately to hit the salary jackpot.

It is too early for the schools to collect data from the departing classes of summer 1995 – although stories abound of the big management consultancies in particular outbidding each other for the brightest students. The outlook for tha average student may be more prosaic.

Anecdotal evidence among some of the leading UK schools still suggests that an MBA can significantly enhance an individual's earning power. Tha overall average starting salary among Manchester's crop of 1994 graduates, for instance, was £37,800 – 18 per cent higher than in 1993. Cranfield's class arrived on the programme with an average salary nf almost £28,000 and was rehired a year later for almost £39,000 a head. The school reckons, though, that it takes about 10 years fnr a successful MBA to command an £80,000 plus package.

The average starting salary for the class nf 1994 at London Business School was £40,900: early impressions indicate that this year's salaries are higher.

SPECIALIST MBA

Particular options

In theory, there is no such thing as a specialist MBA, as it is by definition a generalist degree. But that has not stopped a number of schools offering an MBA in marketing, finance or whatever.

The attraction is the provision of a high-level vocatiooal educatinn along with a highly marketable degree. Anyone interested in this sort of education, hnwever, might be better advised to look outside the specialist MBA market (which in any case is not that big) tn one of the many specialised master's degrees – MSc or sometimes MA.

It is alsn wnrth remembering that oot a few regular MBA programmes, especially those lasting two years, can be tailnred through a judicious choice nf electives to make them in effect specialised MBAs.

TAX

Deductible in practice

In the UK the principle of tax dedoctibility of MBA tuition fees has virtnally been conceded – but its application remains unclear. Deductibility is meant to be linked to National Vocational Qualifications (NVQs), a system which does oot yet incorporate graduate and post-graduate levels. In practice, an increasing number of individuals appears to be making successful claims.

UNDERGRADUATE COURSES

Combined honours

Business has taken off as an undergraduate degree course in the last five years. The 8,600 students successfully graduating in business or financial studies five years ago rose to 16,500 last year.

Both demand and supply lie behind this figure. Business studies is a very popular option with applicants, including mature students. And universities can offer business courses relatively cheaply.

Most importantly, funding rules have given them an incentive to recruit more students to science courses. This has led to a new generation of combined hnnours courses, with students taking business studies plus a science.

Former polytechnics have taken the lead in these new courses, but they are not alnne. Oxford introduced a four-year course in Engineering, Economics and Management in the mid-1980s, and this has proved highly popular.

Business degrees appear to be most highly regarded by employers if they come in this kind of combination, as dnubts persist over the rigour of a three-year course devnted solely to business. A common approach, particularly at technnlogical universities, is to concentrate nn comhining business with either sciences or languages – for example, Bradford will combine management at undergraduate level with chemistry, computing, mathematics, French, German or Spanish.

Alternatives with a less obvious synergy include the University of Glasgow's course in business studies and ancleot civilisation.

Universities are alsn reacting to demand by offering more specialised courses. The leisure industry, in particular, is taking advantage of the courses offered by new universities to improve the skills of its recruits. Food and catering management, and tourism studies, offered by several new universities, such as Bournemouth, are popular and some colleges offer degrees in very specialised fields.

For example, Cheltenham and Gloucester College of Higher Education offers a degree in Sport & Exercise Sciences with Catering Management.

VITAL INGREDIENTS

A model checklist

The latest Which MBA? has a checklist for the model MBA. The publication reckons it shnuld include the fnllnwing: pre-programme courses nn quantitative methods, computing and so nn for students nnt already skilled in these areas; an nrientation programme at the start of each term to meet other students and members of the faculty; waivers for existing skills; a wide choice of electives (yet allowing deep specialisation); good international content in terms of course material, the number of foreign students and teachers, and opportunities for language tuition and foreign exchanges; reasonable emphasis on "soft" skills; and a good range nf company projects.

Also desirable are good research and library facilities, a satisfactory programme of guest speakers, open doors to members of faculty and a responsive administration, formal help with finding accommodation, a good careers service and an active alumni network.

WORK EXPERIENCE

Norm here, not there

The original American MBA programmes took students straight from studying their first degree at university. Some of the best in the US still do this. European MBA programmes, however, have always demanded wnrk experience – at least three years is now the norm – and have always seen the MBA as a post-experience qualification.

IMD in Switzerland prefers nlder participants and has a relatively high class average age of 30.

X-FILES

Horror stories

All MBA studeots can recount horror stories nf fantastically long bours of study, group working that is oot a gronp and doesn't work, teachers whn can't teach, leading case study discussions on cases they baven't read and examination questinns that bear no resemblance to the course being examined. In short, MBA programmes are just like business life.

One nf the best and most realistic descriptions of some of the horrors (and occasional pleasures) of life while studying for an MBA is a book by Peter Robinson, a former speechwriter for President Reagan, about the first year of his MBA programme at Stanford.

YEAR

Longer may be better

A year is now the typical duratinn of a full-time MBA programme in Europe. Yet the view that more time-consuming MBA courses are in lnng-term decline was challenged last month when London Business School published details of its Class of 97. Overall applications for this two-year programme starting this autumn were up 22 per cent, but more strikingly UK applicants were 135 per cent higher.

Two-year programmes, still the norm in North America, are mostly run over four semesters (or eight mini-semesters) of about 13-14 weeks each.

In Europe, LBS and Barcelona's IESE still insist on two years, but 16-18 months is the "distance" at SDA Bocconi, Manchester Business School and the Erasmus School of Management in Rotterdam. Insead's takes just 10 months.

ZOMBIE

A hard day's night

What MBA students look like/feel like at the end of a typical day.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 13 / Sch)

BELGIUM/LUXEMBOURG (Oct 13 / Frs.)

CZECH REP (Oct 13 / Koruna)

DENMARK (Oct 13 / Kr)

FINLAND (Oct 13 / Mka)

FRANCE (Oct 13 / Frs.)

GERMANY (Oct 13 / Dm.)

GREECE (Oct 13 / Drachma)

ITALY (Oct 13 / Lire)

NETHERLANDS (Oct 13 / Fls.)

NORWAY (Oct 13 / Kroner)

POLAND (Oct 13 / Zloty)

PORTUGAL (Oct 13 / Escudo)

SPAIN (Oct 13 / Pts.)

SWEDEN (Oct 13 / Kronor)

SWITZERLAND (Oct 13 / Frs.)

TURKEY (Oct 13 / Tk Lira)

PACIFIC

JAPAN (Oct 13 / Yen)

AUSTRALIA (Oct 13 / Aus$)

HONG KONG (Oct 13 / H.K.$)

INDONESIA (Oct 13 / Rupiah)

MALAYSIA (Oct 13 / MYR)

NEW ZEALAND (Oct 13 / NZ $)

SINGAPORE (Oct 13 / S$)

SOUTH KOREA (Oct 13 / Won)

TAIWAN (Oct 13 / TW $)

THAILAND (Oct 13 / Baht)

AFRICA

SOUTH AFRICA (Oct 13 / Rand)

NORTH AMERICA

CANADA

TORONTO (Oct 13 / Can $)
4 pm close

MONTREAL (Oct 13 / Can $)
4 pm close

INDICES

	Oct 13	Oct 12	Oct 11	1995 High		1995 Low	
Argentina							
General (29/12/77)	13937.11	13998.21	14149.65	16531.10	2/1	9831.69	9/3
Australia							
All Ordinaries(1/1/80)	2089.0	2078.4	2068.6	2166.00	18/9	1823.38	8/2
All Mining(1/1/80)	943.7	932.2	933.1	1029.58	7/8	795.30	8/2
Austria							
Credit Aktien(30/12/84)	345.30	343.36	351.92	385.42	2/1	343.36	12/10
Traded Index(2/1/91)	945.41	936.11	962.83	1056.31	2/1	934.83	30/3
Belgium							
BEL20 (1/1/91)	1426.10	1407.71	1414.96	1481.39	2/8	1271.53	9/3
Brazil							
Bovespa (29/12/83)	45136.0	(c)	45007.0	49812.00	19/9	4531.80	8/9
Canada							
Metals Mnls♦(1975)	4683.99	4624.70	4590.76	5252.77	21/8	3806.68	1/3
Composite♦ (1975)	4507.80	4476.70	4474.60	4716.30	12/7	3991.41	30/1
Portfolio§§ (4/1/83)	2201.66	2183.58	2189.35	2307.81	12/7	1963.36	30/1
Chile							
IGPA Gen♥(31/12/80)	5929.4	(c)	5856.0	6363.10	11/7	4576.90	9/3
Denmark							
CopenhagenSE(3/1/83)	362.75	362.47	(u)	375.44	25/8	330.01	29/3
Finland							
HEX General(28/12/90)	2155.86	2088.65	2057.49	2332.22	14/9	1555.30	29/3
France							
SBF 250 (31/12/90)	1211.60	1205.33	1188.27	1322.30	12/5	1154.41	13/3
CAC 40(31/12/87)	1817.03	1803.75	1794.43	2017.27	12/5	1721.80	13/3
Germany							
FAZ Aktien(31/12/58)	796.55	791.61	785.73	846.76	19/9	708.87	30/3
Commerzbank(1/12/53)	2305.3	2282.7	2263.3	2427.60	19/9	2018.70	30/3
DAX (30/12/87)‡	2196.83	2158.12	2145.30	2317.01	15/9	1918.96	28/3
Greece							
Athens SE(31/12/80)	914.38	914.14	925.43	992.59	4/8	787.16	16/3
Hong Kong							
Hang Seng(31/7/64)	9883.78	9685.14	9635.06	9939.95	4/10	6967.93	23/1
India							
BSE Sens.♥(1979)	3581.97	3561.40	3572.22	3932.09	2/1	3015.07	2/5
Indonesia							
Jakarta Comp.(10/8/82)	496.56	494.52	496.28	516.18	11/8	414.21	19/4
Ireland							
ISEQ Overall(4/1/88)	2157.01	2139.42	2123.33	2170.73	15/9	1813.69	23/1
Italy							
Banca Comm Ital (1972)	600.07	600.29	594.41	680.54	10/2	587.98	23/3
MIB General (2/1/85)	947.0	948.0	939.0	1076.00	10/2	925.00	23/3
Japan							
Nikkei 225 (16/5/49)	17880.83	17971.40	17891.10	19684.04	4/1	14485.41	3/7
Nikkei 300 (1/10/82)	267.10	267.10	267.24	288.16	4/1	222.28	13/6
Topix (4/1/68)	1425.24	1428.12	1427.04	1553.40	4/1	1193.16	13/6
2nd Section (4/1/68)	1864.10	1862.18	1858.61	2130.88	4/1	1441.90	13/6
Malaysia							
KLSE Comp.(4/4/86)	963.13	961.94	958.80	1086.04	5/6	840.87	24/1
Mexico							
IPC (Nov 1978)	(u)	2335.49	2353.68	2622.21	8/9	1447.52	27/2
Netherland							
CBS TtlRtnGen(End 83)	501.4	499.1	498.7	511.88	19/9	422.90	23/3
CBS All Shr (End 83)	303.9	302.5	302.3	311.10	15/9	265.20	23/3
New Zealand							
Cap. 40 (1/7/86)	2108.15	2113.52	2091.33	2195.79	18/5	1981.43	5/1
Norway							
Oslo SE(Ind)(2/1/83)	1257.42	1245.23	1230.45	1291.58	19/9	1038.00	10/3
Philippines							
Manila Comp (2/1/85)	2624.45	2599.80	2588.82	2958.12	10/7	2248.38	27/3
Portugal							
BTA (1977)	2605.8	2603.7	2605.6	2811.60	9/1	2580.70	25/9
Singapore							
SES All-S'pore(2/4/75)	516.94	517.28	517.60	535.86	5/1	472.80	23/1
South Africa							
JSE Gold (28/9/78)	1442.8♥	1456.0	1459.7	2023.60	2/1	1317.20	19/5
JSE Indl. (28/9/78)	7347.4♥	7302.7	7257.1	7347.40	13/10	6222.08	31/1
South Korea							
KoreaCompEx(4/1/80)**	1014.28	1016.66	1011.00	1027.37	2/1	847.09	27/5
Spain							
Madrid SE (30/12/85)	302.40	(c)	297.38	318.98	13/9	283.30	26/6
Sweden							
AffarsvardnGen (1/2/37)	1805.3	1800.6	1774.3	1872.19	19/9	1439.89	29/3
Switzerland							
Swiss Bk Ind (31/12/58)	1431.65	1424.77	1419.71	1431.65	13/10	1174.83	13/3
SBC General (1/4/87)	1071.23	1064.45	1060.96	1071.23	13/10	870.58	13/3
Taiwan							
WeightedPr.(30/6/66)**	5115.82	5108.93	5165.36	7051.49	5/1	4503.37	14/8
Thailand							
Bangkok SET (30/4/75)	1318.84	1323.28	1323.00	1472.04	10/7	1135.68	16/3
Turkey							
Istanbul Cmp.(Jan 1986)	43577.7	43101.7	45395.1	54853.90	21/4	24644.31	23/1
WORLD							
MS Capital Int (1/1/70)$	(u)	695.2*	691.1	703.80	29/9	596.21	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1421.48	1405.03	1396.12	1480.89	15/9	1222.41	13/3
Euro Top-100 (26/6/90)	1283.04	1270.37	1267.65	1316.88	15/9	1117.34	9/3
JCapelDrgns (31/12/88)	(u)	331.66	330.78	348.47	14/7	282.07	23/1
Barings Emerg.(7/1/92)	146.20	146.33	145.56	158.07	2/1	117.15	10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (200 x Index)							
Oct	1832.0	1827.0	+12.5	1840.0	1821.0	18,542	29,073
Nov	1839.5	1836.0	+12.0	1848.0	1835.5	758	2,727
■ DAX							
Dec	2177.0	2214.5	+39.5	2222.0	2175.5	25,333	85,328
Mar	2207.5	2235.0	+39.5	2235.0	2207.0	22	4,068
■ OMX							
Oct	1439.00	1430.00	+29.00	1442.75	1429.00	5,199	14,161
Nov	1449.50	1441.50	+5.00	1452.00	1441.50	90	1,742
■ SOFFEX							
Oct	3093.00	3080.5	+27.5	3110.5	3093.0	5,414	16,475
Nov	3097.0	3087.0	+30.6	3112.0	3097.02	443	778

** Sat Oct 7: Taiwan Weighted Price 5207.12; Korea Comp Ex 1003.40. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 28 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Oct 13 – 2208.11 +46.36.

US INDICES

Dow Jones	Oct 13	Oct 12	Oct 11	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4793.78	4764.88	4735.25	4801.80 (14/9)	3832.08 (30/1)	4801.80 (14/9/95)	41.22 (2/7/32)
Home Bonds	103.97	103.77	103.56	103.97 (13/10)	93.63 (3/1)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1943.23	1923.28	1925.80	2000.38 (18/9)	1473.19 (3/1)	2000.38 (18/9/95)	12.32 (8/7/32)
Utilities	214.08	216.12	217.04	217.44 (10/10)	183.03 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4846.08 (4790.16) Low 4749.70 (4709.24) (Theoretical♦)
Day's high 4816.90 (4784.88) Low 4764.88 (4735.25) (Actual♦)

Standard and Poors	Oct 13	Oct 12	Oct 11	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	584.50	583.10	579.46	586.77 (20/9)	459.11 (3/1)	586.77 (20/9/95)	4.40 (1/6/32)
Industrials♥	682.56	681.07	675.98	691.27 (20/9)	546.28 (3/1)	691.27 (20/9/95)	3.62 (21/6/32)
Financial	61.30	60.97	60.34	61.30 (13/10)	41.84 (3/1)	61.38 (13/10/95)	0.64 (1/10/74)
NYSE Comp.	313.85	312.37	310.51	314.33 (20/9)	250.73 (3/1)	314.33 (20/9/95)	4.46 (25/4/42)
Amex Mkt Val	535.39	531.60	527.54	553.58 (12/9)	433.12 (6/1)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Cmp	1018.38	1015.63	1001.57	1067.40 (13/9)	743.58 (3/1)	1067.40 (13/9/95)	54.97 (31/10/72)

■ RATIOS

	Oct 8	Sep 29	Sep 22	Year ago
Dow Jones Ind. Div. Yield	2.43	2.42	2.42	2.79
	Oct 11	Oct 4	Sep 27	Year ago
S & P Ind. Div. yield	2.09	2.09	2.07	2.43
S & P Ind. P/E ratio	17.74	17.87	17.84	20.33

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
K-Mart	10,170,800	11⅛	-⅛
Wal-Mart	7,794,400	23	+⅛
Micron	6,637,700	66⅝	-3⅝
Motorola	6,490,700	63	-¾
Ford Motor	5,634,200	31⅛	-¼
EMC	5,101,900	14¼	-⅜
Digital Equip	4,413,400	49⅞	+3⅛
Telefonos	3,874,600	28⅝	-½
Compaq	3,810,300	49⅛	+⅞
Global Priv	3,079,800	13⅛	+⅛

■ TRADING ACTIVITY

● Volume (million)	Oct 13	Oct 12	Oct 11
New York SE	376.451	346.046	343.060
Amex	17.704	16.738	15.566
NASDAQ	(u)	444.870	480.398
NYSE			
Issues Traded	3,042	3,038	3,036
Rises	1,536	1,443	1,434
Falls	791	773	803
Unchanged	715	822	799
New Highs	216	157	113
New Lows	32	28	38

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Dec	587.35	588.20	+0.70	591.50	587.30	57,530	189,325
Mar	595.00	592.95	+0.80	596.25	592.65	216	8,243
■ Nikkei 225							
Dec	17950.0	17910.0	-90.0	18010.0	17790.0	17,365	154,016
Mar	17920.0	17920.0	-140	17920.0	17920.0	51	4,411

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). # Dealings suspended, xd Ex dividend, xc Ex scrip issue, xr Ex rights, xa Ex all. † Priced in US $.

■ TOKYO - MOST ACTIVE STOCKS: Friday, October 13, 1995

	Stocks Traded	Closing Prices	Change on day
Tamura Elec	11.1m	1650	+150
Nip Hsg Loan	8.6m	28	+8
NKK	6.5m	261	-5
Nippon Steel	4.8m	351	+3
Pacific Metals	4.5m	657	+5
Mitsubishi Hvy	4.5m	775	+2
Tokuyama	3.8m	751	-1
Toshiba	3.5m	704	-9
Daiwa Bank	3.5m	675	+21
NEC Corp	3.1m	1330	-30

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CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Oct 13		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.8128	+0.0752	043 - 213	15.8218	15.7165	15.7824	2.3	15.7238	2.3	-	-	106.9
Belgium	(BFr)	46.2128	+0.2279	696 - 560	46.4690	45.9120	46.1178	2.5	45.9278	2.5	45.1928	2.2	109.4
Denmark	(DKr)	8.7160	+0.0442	122 - 168	8.7276	8.6554	8.7083	1.1	8.6918	1.1	8.6293	1.0	110.1
Finland	(FM)	6.7739	+0.0274	664 - 814	6.7990	6.7430	6.7695	0.8	6.7614	0.7	-	-	88.0
France	(FFr)	7.8204	+0.0334	168 - 239	7.8344	7.7852	7.8274	-1.1	7.8329	-0.6	7.8275	-0.1	109.2
Germany	(DM)	2.2471	+0.0107	459 - 482	2.2517	2.2320	2.242	2.8	2.2328	2.6	2.1910	2.5	112.0
Greece	(Dr)	367.454	+0.534	282 - 626	368.718	365.991	-	-	-	-	-	-	67.4
Ireland	(I£)	0.9780	+0.0004	771 - 788	0.9788	0.9767	0.9772	1.0	0.9759	0.8	0.9727	0.3	97.8
Italy	(L)	2522.68	+5.03	086 - 450	2525.83	2518.97	2529.93	-3.4	2544.83	-3.5	2612.98	-3.8	70.3
Luxembourg	(LFr)	46.2128	+0.2279	696 - 560	46.4690	45.9120	46.1178	2.5	45.9278	2.5	45.1928	2.2	109.4
Netherlands	(Fl)	2.5155	+0.0117	144 - 166	2.5227	2.5006	2.509	3.1	2.4981	2.8	2.4519	2.5	109.5
Norway	(NKr)	9.8613	+0.0381	584 - 662	9.8758	9.7944	9.8489	1.5	9.827	1.4	9.7515	1.1	99.7
Portugal	(Es)	236.033	+0.959	894 - 172	236.330	234.701	236.573	-2.7	237.793	-3.0	-	-	95.4
Spain	(Pta)	193.798	+1.352	655 - 942	193.970	192.484	194.298	-3.1	195.238	-3.0	199.638	-3.0	81.3
Sweden	(SKr)	10.9405	+0.0196	298 - 511	10.9996	10.8775	10.9427	-0.2	10.9473	-0.2	10.9706	-0.3	82.7
Switzerland	(SFr)	1.8193	+0.0047	180 - 205	1.8239	1.8079	1.8122	4.7	1.8003	4.2	1.7474	4.0	115.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.5
Ecu	-	1.2186	+0.0036	178 - 194	1.2203	1.2126	1.2175	1.1	1.2152	1.1	1.2059	1.0	-
SDR†	-	1.05053	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5722	-	717 - 726	1.5768	1.5682	-	-	-	-	-	-	-
Brazil	(R$)	1.5067	+0.0006	061 - 072	1.5108	1.5039	-	-	-	-	-	-	-
Canada	(C$)	2.1027	-0.0024	010 - 036	2.1103	2.0964	2.1018	0.5	2.1018	0.2	2.1067	-0.2	85.5
Mexico	(New Peso)	10.5665	-0.0079	481 - 649	10.5874	10.5460	-	-	-	-	-	-	-
USA	($)	1.5724	-	720 - 728	1.5775	1.5690	1.5712	0.9	1.5691	0.8	1.5589	1.0	82.8
Pacific/Middle East/Africa													
Australia	(A$)	2.0710	-0.0015	698 - 722	2.0722	2.0687	2.0723	-0.0	2.0752	-0.8	2.0699	-0.9	86.8
Hong Kong	(HK$)	12.1562	-0.0005	523 - 601	12.1957	12.1312	12.1527	0.3	12.1402	0.5	12.1067	0.4	-
India	(Rs)	53.8548	+0.464	838 - 257	54.0320	53.3440	-	-	-	-	-	-	-
Israel	(Shk)	4.7239	+0.0097	135 - 282	4.7285	4.7170	-	-	-	-	-	-	-
Japan	(Y)	158.301	+0.676	208 - 397	158.470	157.580	157.398	6.9	155.776	6.4	148.851	6.0	143.0
Malaysia	(M$)	4.0007	+0.0009	998 - 025	4.0128	3.9931	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3780	+0.0018	761 - 798	2.3800	2.3759	2.384	-3.0	2.3932	-2.5	2.4188	-1.7	101.8
Philippines	(Peso)	40.7802	+0.0078	305 - 299	40.8730	40.7300	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8975	-	958 - 991	5.9101	5.8848	-	-	-	-	-	-	-
Singapore	(S$)	2.2431	+0.0048	417 - 444	2.2469	2.2397	-	-	-	-	-	-	-
South Africa	(R)	5.7515	+0.004	488 - 541	5.7626	5.7410	-	-	-	-	-	-	-
South Korea	(Won)	1208.31	+0.31	792 - 870	1212.15	1205.78	-	-	-	-	-	-	-
Taiwan	(T$)	42.2874	-0.0116	727 - 020	42.4206	42.1998	-	-	-	-	-	-	-
Thailand	(Bt)	39.4704	+0.0031	525 - 883	39.5570	39.3980	-	-	-	-	-	-	-

† Rates for Oct 12. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 13		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	10.0565	+0.0478	536 - 593	10.0600	9.9740	10.0414	1.8	10.0113	1.8	9.902	1.5	106.9
Belgium	(BFr)	29.3900	+0.145	700 - 100	29.5870	29.1400	29.349	1.7	29.27	1.6	29.07	1.4	109.2
Denmark	(DKr)	5.5431	+0.0281	421 - 441	5.5542	5.4937	5.5438	-0.2	5.5396	0.3	5.5491	-0.1	109.5
Finland	(FM)	4.3080	+0.0174	043 - 117	4.3186	4.2773	4.3075	0.1	4.3065	0.1	4.302	0.1	87.0
France	(FFr)	4.9735	+0.0212	725 - 745	4.9875	4.9408	4.982	-2.1	4.992	-1.5	5.0135	-0.8	108.8
Germany	(DM)	1.4291	+0.0068	287 - 294	1.4326	1.4165	1.4269	1.8	1.4225	1.8	1.404	1.8	111.5
Greece	(Dr)	233.690	+0.34	640 - 740	235.180	232.400	235.415	-8.9	238.815	-8.4	252.09	-7.0	68.8
Ireland	(I£)	1.6079	-0.0005	069 - 088	1.6140	1.6045	1.6081	-0.1	1.6082	-0.1	1.6147	-0.4	-
Italy	(L)	1604.35	+3.2	360 - 510	1606.25	1597.40	1611.1	-5.0	1623.15	-4.7	1680.35	-4.7	69.7
Luxembourg	(LFr)	29.3900	+0.145	700 - 100	29.5870	29.1400	29.349	1.7	29.27	1.6	28.97	1.4	109.2
Netherlands	(Fl)	1.5998	+0.0075	995 - 001	1.6063	1.5867	1.5972	2.0	1.5921	1.9	1.5721	1.7	109.0
Norway	(NKr)	6.2715	+0.0242	700 - 730	6.2865	6.2241	6.2677	0.7	6.2615	0.6	6.2515	0.3	98.9
Portugal	(Es)	150.110	+0.61	060 - 160	150.410	148.940	150.575	-3.7	151.585	-3.9	156.21	-4.1	95.7
Spain	(Pta)	123.250	+0.86	190 - 310	123.430	122.150	123.63	-3.7	124.4	-3.7	127.895	-3.6	81.1
Sweden	(SKr)	6.9578	+0.0124	528 - 628	6.9812	6.9153	6.9752	-3.0	7.0118	-3.1	7.1803	-3.2	82.1
Switzerland	(SFr)	1.1570	+0.0029	565 - 575	1.1615	1.1472	1.1534	3.7	1.1473	3.4	1.1195	3.2	115.1
UK	(£)	1.5724	-	720 - 728	1.5775	1.5690	1.5712	0.9	1.5691	0.9	1.5569	1.0	83.7
Ecu	-	1.2903	-0.0038	898 - 908	1.3002	1.2875	1.2907	-0.4	1.2914	-0.3	1.2937	-0.3	-
SDR†	-	0.66815	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 998	0.9999	0.9997	-	-	-	-	-	-	-
Brazil	(R$)	0.9582	+0.0003	581 - 583	0.9584	0.9581	-	-	-	-	-	-	-
Canada	(C$)	1.3373	-0.0015	370 - 375	1.3389	1.3335	1.3377	-0.4	1.3391	-0.5	1.3493	-0.9	84.3
Mexico	(New Peso)	6.7200	-0.005	100 - 300	6.7450	6.7100	6.7222	-0.4	6.7254	-0.3	6.7303	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	93.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3170	-0.001	167 - 175	1.3194	1.3136	1.3188	-1.8	1.3224	-1.8	1.3421	-1.0	87.7
Hong Kong	(HK$)	7.7310	-0.0003	305 - 315	7.7315	7.7305	7.7325	-0.2	7.7345	-0.2	7.7547	-0.3	-
India	(Rs)	34.2500	+0.295	500 - 500	34.3500	33.8500	34.4	-5.3	34.705	-5.3	36.175	-5.6	-
Israel	(Shk)	3.0042	+0.0061	022 - 062	3.0069	2.9959	-	-	-	-	-	-	-
Japan	(Y)	100.575	+0.43	640 - 710	100.800	100.030	100.18	5.9	99.26	5.6	95.385	5.3	143.8
Malaysia	(M$)	2.5443	+0.0006	438 - 448	2.5470	2.5385	2.5443	0.0	2.5446	-0.1	2.5523	-0.3	-
New Zealand	(NZ$)	1.5122	+0.0012	115 - 131	1.5143	1.5078	1.5163	-3.3	1.5238	-3.1	1.5485	-2.4	-
Philippines	(Peso)	25.8350	+0.005	100 - 600	25.9600	25.0100	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	505 - 507	3.7507	3.7505	3.7511	-0.2	3.752	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4265	+0.003	260 - 270	1.4270	1.4230	1.4231	2.9	1.4168	2.7	1.392	2.4	-
South Africa	(R)	3.6578	+0.0025	570 - 585	3.6590	3.6535	3.6831	-8.3	3.7331	-8.2	3.9643	-8.4	-
South Korea	(Won)	768.450	+0.2	400 - 500	769.200	768.100	771.45	-4.7	774.95	-3.4	793.45	-3.3	-
Taiwan	(T$)	26.8935	-0.0075	010 - 960	26.9060	26.8900	26.9135	-0.8	26.9535	-0.0	-	-	-
Thailand	(Bt)	25.1020	+0.002	970 - 070	25.1080	25.0780	25.1885	-4.2	24.837	4.2	26.057	-3.8	-

† SDR rate per $ for Oct 12. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 12. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

October 13	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅛	4⅛	4 3/16	4 3/16	4⅜	8.00	3.50	-
week ago	4 1/16	4⅛	4¼	4 3/16	4 5/16	8.00	3.50	-
France	8 1/16	6 5/16	6¼	6½	6¼	5.00	-	7.25
week ago	5⅞	6 5/16	6⅜	6⅜	6⅝	5.00	-	6.15
Germany	4⅛	4 1/16	4 1/16	4	4	5.50	3.50	4.03
week ago	4⅛	4 1/16	4	4 1/16	4 1/16	5.50	3.50	4.05
Ireland	5⅝	5 15/16	5 15/16	6¼	6¼	-	-	6.25
week ago	5 15/16	5 15/16	5 15/16	6¼	6⅝	-	-	6.25
Italy	10⅛	10¼	10⅜	10⅜	10⅝	-	9.00	10.36
week ago	10¼	10½	10⅝	10¾	10⅝	-	9.00	10.36
Netherlands	3 15/16	3 15/16	4	4	4 1/16	-	3.50	3.80
week ago	3 15/16	3 15/16	3 15/16	3 15/16	4 1/32	-	3.50	3.80
Switzerland	1⅝	2 1/16	2⅛	2 1/16	2⅛	5.00	2.00	-
week ago	1⅝	2 1/16	2⅛	2⅛	2⅛	5.00	2.00	-
US	5¾	5¾	5 25/32	5 23/32	5⅝	-	5.25	-
week ago	5⅝	5⅝	5 25/32	5 23/32	0	-	5.25	-
Japan	15/32	13/32	½	½	⅝	-	0.50	-
week ago	15/32	13/32	7/16	½	⅝	-	0.50	-
$ LIBOR FT London								
Interbank Fixing	-	5⅞	5 13/16	5 13/16	5⅝	-	-	-
week ago	-	5⅞	5 13/16	5 13/16	5⅝	-	-	-
US Dollar CDs	-	5.61	5.60	5.60	5.64	-	-	-
week ago	-	5.61	5.60	5.60	5.65	-	-	-
ECU Linked Ds	-	5 13/16	5 13/16	5 13/16	5¾	-	-	-
week ago	-	5 13/16	5 13/16	5 13/16	5¾	-	-	-
SDR Linked Ds	-	3 13/16	3 13/16	3 13/16	3 13/16	-	-	-
week ago	-	3 13/16	3 13/16	3 13/16	3 13/16	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 13	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 5/16 - 4 3/16	4 5/16 - 4 3/16	4 5/16 - 4 3/16	4⅜ - 4¼	4 7/16 - 4 5/16	4½ - 4⅜
Danish Krone	6½ - 6¼	5⅝ - 5⅜	5 11/16 - 5½	5¾ - 5⅝	5⅞ - 5⅝	5 15/16 - 5 13/16
D-Mark	4 1/16 - 3 15/16	4⅛ - 4	4 1/16 - 3 15/16	4 1/16 - 3 15/16	4 1/16 - 3 15/16	4 1/16 - 3 15/16
Dutch Guilder	3 15/16 - 3 13/16	5 15/16 - 3 13/16	3 31/32 - 3 29/32	3 31/32 - 3 29/32	4 1/32 - 3 31/32	4 1/16 - 3 31/32
French Franc	6¼ - 5⅞	8¼ - 8	6⅜ - 6¼	6½ - 6⅜	5 15/16 - 6 7/16	6 9/16 - 6 7/16
Portuguese Esc.	8 15/16 - 8 13/16	8 15/16 - 8 13/16	9⅛ - 8 15/16	9 3/16 - 9 1/16	9 7/16 - 9 5/16	9⅝ - 9 7/16
Spanish Peseta	9½ - 9⅜	9½ - 9⅜	9 11/16 - 9 9/16	9 13/16 - 9 11/16	9⅝ - 9½	9 13/16 - 9⅝
Sterling	6⅝ - 6 11/16	6¾ - 6 11/16	6 23/32 - 6 21/32	6 13/16 - 6¾	6⅞ - 6 13/16	6 15/16 - 6⅞
Swiss Franc	2 5/16 - 2 3/16	2 5/16 - 2 3/16	2 5/16 - 2 3/16	2 5/16 - 2 3/16	2⅜ - 2¼	2⅜ - 2¼
Can. Dollar	6 1/16 - 5⅞	6 3/16 - 6	6¼ - 6⅛	6 7/16 - 6 5/16	6 9/16 - 6 7/16	6⅝ - 6½
US Dollar	5¾ - 5½	5 13/16 - 5 11/16	5⅞ - 5¾	5 13/16 - 5 11/16	5 13/16 - 5 23/32	5¾ - 5⅝
Italian Lira	8 15/16 - 8 7/16	10 5/16 - 10 3/16	10 5/16 - 10 3/16	10 13/16 - 10 11/16	10⅝ - 10½	10 13/16 - 10 9/16
Yen	½ - 7/16	⅜ - ¼	13/32 - 9/32	7/16 - 5/16	7/16 - 5/16	⅜ - ¼
Asian $Sing	3¼ - 3⅛	2⅞ - 2¾	2⅞ - 2¾	2⅞ - 2¾	2 13/16 - 2 11/16	3⅛ - 3

Short term rates are call for the US Dollar and Yen, others: two days' notice.

THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.23	94.25	+0.02	94.26	94.23	67,557	408,913
Mar	94.40	94.43	+0.04	94.45	94.40	87,643	370,137
Jun	94.39	94.43	+0.06	94.45	94.37	45,135	244,815

US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.83	94.83	+0.02	94.85	94.82	1,050	12,704
Mar	94.93	94.94	+0.05	94.96	94.92	521	3,530
Jun	94.84	94.85	+0.06	94.85	94.84	14	155

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 13		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.86	18.92	4.893	2.116	5460	5.445	21.34	510.7	419.4	23.67	3.936	2.164	4.551	3.402	342.6	2.638
Denmark	(DKr)	53.02	10	8.972	2.578	1.122	2895	2.887	11.31	270.8	222.3	12.55	2.087	1.147	2.413	1.804	181.8	1.399
France	(FFr)	59.09	11.15	10	2.873	1.251	3226	3.217	12.61	301.0	247.0	13.99	2.326	1.278	2.689	2.010	202.4	1.559
Germany	(DM)	20.57	3.879	3.480	1	0.435	1123	1.120	4.389	105.0	86.25	4.869	0.810	0.445	0.936	0.700	70.45	0.543
Ireland	(I£)	47.25	8.912	7.996	2.298	1	2580	2.573	10.08	241.3	198.2	11.18	1.860	1.022	2.150	1.607	161.9	1.245
Italy	(L)	1.832	0.345	0.310	0.089	0.039	100.	0.100	0.391	9.354	7.681	0.434	0.072	0.040	0.083	0.062	6.274	0.048
Netherlands	(Fl)	18.37	3.464	3.108	0.893	0.389	1003	1	3.918	93.80	77.03	4.348	0.723	0.397	0.836	0.625	62.92	0.484
Norway	(NKr)	46.86	8.839	7.930	2.279	0.992	2559	2.551	10	239.3	196.5	11.09	1.845	1.014	2.133	1.594	160.5	1.238
Portugal	(Es)	19.58	3.693	3.314	0.952	0.414	1069	1.066	4.178	100.	82.12	4.636	0.771	0.424	0.891	0.666	67.08	0.517
Spain	(Pta)	23.84	4.497	4.035	1.159	0.505	1302	1.298	5.088	121.8	100.	5.645	0.939	0.510	1.085	0.811	81.68	0.629
Sweden	(SKr)	42.24	7.967	7.148	2.054	0.894	2306	2.300	9.014	215.7	177.1	10	1.663	0.914	1.922	1.437	144.7	1.114
Switzerland	(SFr)	25.40	4.792	4.299	1.235	0.538	1387	1.383	5.421	129.7	106.5	6.014	1	0.550	1.156	0.864	87.03	0.670
UK	(£)	46.21	8.716	7.820	2.247	0.978	2523	2.010	9.861	236.0	193.8	10.94	1.819	1	2.103	1.572	158.3	1.218
Canada	(C$)	21.97	4.145	3.718	1.068	0.465	1200	1.196	4.689	112.2	92.15	0.202	0.865	0.478	1	0.748	75.27	0.580
US	($)	29.40	5.545	4.975	1.429	0.622	1605	1.601	6.273	150.1	123.3	6.959	1.157	0.636	1.338	1	100.7	0.775
Japan	(Y)	29.19	5.506	4.940	1.419	0.618	1594	1.589	6.229	149.1	122.4	0.911	1.149	0.632	1.328	0.993	100.	0.770
Ecu		37.91	7.150	6.415	1.843	0.802	2070	2.064	8.089	193.6	159.0	0.975	1.492	0.820	1.725	1.290	129.9	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.7069	0.7026	-0.0043	0.7079	0.6998	18,661	49,393
Mar	0.7060	0.7057	-0.0043	0.7070	0.7030	175	2,603
Jun	-	0.7087	-0.0043	-	0.7070	1	69

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.8758	0.8709	-0.0048	0.8774	0.8665	13,252	32,231
Mar	0.8785	0.8783	-0.0048	0.8800	0.8745	33	2,194
Jun	-	0.8854	-0.0049	-	0.8820	17	52

JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.0085	1.0001	-0.0084	1.0098	0.9998	16,014	57,456
Mar	1.0229	1.0144	-0.0085	1.0229	1.0144	437	8,890
Jun	-	1.0278	-0.0087	-	-	1	320

STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.5726	1.5714	-0.0020	1.5738	1.5678	3,904	35,832
Mar	-	1.5682	-0.0022	-	1.5650	37	149
Jun	-	1.5644	-0.0022	-	1.5620	14	10

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Oct	Nov	Dec	PUTS Oct	Nov	Dec
1.540	3.30	3.46	3.98	-	0.26	0.82
1.550	2.35	2.64	3.29	-	0.44	1.13
1.560	1.35	1.97	2.66	-	0.65	1.50
1.570	0.35	1.37	2.16	-	1.04	1.95
1.580	-	0.90	1.92	0.51	1.58	2.21
1.590	-	0.55	1.69	1.50	2.23	2.49

Previous day's vol., Calls 4,882 Puts 4,308. Prev. day's open int., Calls 268,166 Puts 298,203

Pound in New York

Oct 13	Close	Prev. close
£ spot	1.5742	1.5770
1 mth	1.5730	1.5759
3 mth	1.5709	1.5736
1 yr	1.5587	1.5815

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Emerging Markets Page in today's edition.

UK INTEREST RATES

LONDON MONEY RATES

Oct 13	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7¼ - 6½	6 13/16 - 6 9/16	6 13/16 - 6⅝	6⅞ - 6 11/16	6⅞ - 6 11/16	6 15/16 - 6¾
Sterling CDs	-	-	6 23/32 - 6 21/32	6¾ - 6 11/16	6 23/32 - 6 21/32	6 13/16 - 6¾
Treasury Bills	-	-	6 17/32 - 6 15/32	6⅝ - 6 9/16	-	-
Bank Bills	-	-	6 21/32 - 6⅝	6 21/32 - 6⅝	6⅝ - 6⅝	-
Local authority deps.	6 11/16 - 6 9/16	6 11/16 - 6 9/16	6 11/16 - 6⅝	6 13/16 - 6 11/16	6⅞ - 6¾	6 15/16 - 6 13/16
Discount Market deps	7⅛ - 6⅝	6 13/16 - 6 9/16	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¼	5¼	0	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount 6.6001pc. ECGD fixed rate Stg. Export Finance. Make up day Sep 29, 1995. Agreed rate for period Oct 26, 1995 to Nov 25, 1995, Schemes II & III 8.04pc. Reference rate for period Sep 1, 1995 to Sep 29, 1995, Schemes IV & V 6.765pc. Finance House Base Rate 7pc from October 1, 1995

BANK OF ENGLAND TREASURY BILL TENDER

	Oct 13	Oct 9		Oct 13	Oct 6
Bills on offer	£1500m	£1500m	Top accepted rate	6.6181%	6.5981%
Total of applications	£5385m	£3785m	Ave. rate of discount	6.6001%	6.5775%
Total allocated	£1500m	£1500m	Average yield	6.7105%	6.6872%
Min. accepted bid	£98.350	£98.355	Offer at next tender	£1500m	£1500m
Allotment at min. level	22%	27%	Min. accept. bid 182 days	-	-

BANK RETURN

BANKING DEPARTMENT	Wednesday October 11, 1995	Increase or decrease for week
	£	£
Liabilities		
Capital	14,553,000	
Public deposits	1,259,135,063	+25,361,232
Bankers deposits	1,708,006,681	+54,192,740
Reserve and other accounts	4,297,851,436	-1,612,622,219
	7,279,546,180	-1,533,068,247
Assets		
Government securities	1,088,707,268	+38,445,156
Advance and other accounts	5,665,777,460	-1,577,463,581
Premise, equipment and other secs	516,691,652	+2,051,452
Notes	8,159,162	+3,871,923
Coin	210,606	+26,803
	7,279,546,180	-1,533,068,2478
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	19,271,840,808	-53,871,923
Notes in Banking Department	8,159,192	+3,871,923
	19,280,000,000	-50,000,000
Assets		
Other Government securities	14,018,747,633	+221,660,280
Other Securities	5,261,252,367	-271,660,280
	19,280,000,000	-50,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	*Roxburghe Guarantee Corporation Ltd is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75		
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

● Members of London Investment Banking Association
* In administration

FT GOLD MINES INDEX

	Oct 13	% chg since 30/12/94	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (34)	1921.84	-2.8	48.10	100.00	1.95	-	2304.73	1637.81
Regional Indices								
Africa (16)	2644.73	-17.1	14.28	29.63	4.10	24.36	3711.87	2428.18
Australasia (6)	2361.15	-3.8	5.98	12.42	2.14	26.01	2951.49	1788.20
North America (12)	1651.08	+6.9	27.93	57.96	0.81	47.36	1831.00	1348.18

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LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
50	F.P.	15.2	71	50	Consolidated Coal	69	+1	-	-	-	-
-	F.P.	5.62	125	120	†Euro Sales Fin	125		-	-	-	-
-	F.P.	0.59	28	17½	German Smi Wts	18		-	-	-	-
-	F.P.	5.40	40	25	Hay & Robertson	36		ψ-	-	-	-
85	F.P.	17.9	93½	84	Mayflower	93	+1	2v0.67	2.6	0.9	53.0
45	F.P.	17.3	61	52	†MultiMedia	60		ψ-	-	-	-
-	F.P.	10.3	105	100	Murray Vct	105		-	-	-	-
-	F.P.	5.30	96	70	†Omnicare	85	-1	Hv1.5	4.0	2.2	14.3
-	F.P.	14.4	01	60	Pemberstone	60		ψ-	-	-	-
100	F.P.	30.6	104	99	Pictet British	102		-	-	-	-
400	F.P.	3.62	400	400	†Preston Nth End	400		ψ-	-	-	-
125	F.P.	12.9	133	6½	†SCS Satellite	125		-	-	-	-
149	F.P.	49.1	185	188	Universal Salvage	183		Mv5.07	1.7	3.5	21.2
-	F.P.	-	½	½	Upton & Sthn Wts	½		-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1995 High	Low	Stock	Closing price p	+or-
320	Nil	14/11	114pm	93pm	Alumasc	114pm	+14
105	Nil	24/11	17pm	5pm	Anglo-Eastn Plants	13pm	
18	Nil	28/10	2pm	¾pm	Baris	¾pm	-1⅛
490	Nil	13/11	103pm	50pm	Forth Ports	81pm	-1
950	Nil	8/11	152pm	113½pm	RMC	127pm	+13½

pm premium.

KAUFHOF
Kaufhof Finance B.V.
Can$ 100,000,000 Collared Floating Rate Notes 1993/2003
(Issued under the DM 1 billion Multi-Currency Euro Medium Term Note Programme of Kaufhof Holding AG) Tranche No: L1

The Rate of Interest applicable to the Interest Period from October 16, 1995 to January 15, 1995, inclusively, was determined to be 6.5 per cent per annum. Therefore, on January 16, 1995, Interest per Note of Can$ 1,000 principal amount in the amount of Can$ 16.38 and interest per Note of Can$ 10,000 principal amount in the amount of Can$163.84 is due.

Frankfurt am Main, October 1995
Dresdner Bank Aktiengesellschaft Calculation and Principal Paying Agent

Guilbert

1) Consolidated Turnover

[illegible]

2) New Foreign Acquisitions

[illegible]

CHINA MERCHANTS
CHINA DIRECT INVESTMENTS LIMITED
Net Asset Value

China Merchants China Direct Investments Limited announces that as at 30th September, 1995, the unaudited consolidated net asset value per share of the Company was US$1.054.

CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED
(Incorporated with limited liability in Hong Kong)
12th October, 1995

UK GILTS PRICES

	Notes	Price £	Wk% +/-	Amt £m	Interest due	Last xd	City line
Shorts (Lives up to Five Years)							
Treas 12¼pc 1995‡‡		100⅞xd	-	840	My15 Nv15	8.10	1288
14pc 1996		101⅞	-2	770	Jy22 Ja22	15.6	1305
15¼pc 1996‡‡		104⅞xd	-3	1,150	Nv3 My3	27.9	1306
Exch 13¼pc 1996‡‡		103¼xd	-2	800	Nv15 My15	9.10	1268
Conversion 10pc 1996		103⅞xd	-2	3,400	My15 Nv15	9.10	1240
Treas 13¼pc 1997‡‡		107⅞	-4	1,290	Jy22 Ja22	15.6	1302
Exch 10½pc 1997		104⅞	-3	3,700	Au21 Fe21	17.7	1253
[illegible]							

	Notes	Price £	Wk% +/-	Amt £m	Interest due	Last xd	City line
Treas 12½pc 2003-5		125⅞	-2	2,200	My21 Nv21	18.4	1295
Treas 0½pc 2005‡‡		102⅞	-1	8,900	Ja7 De7	1.5	4946
7½pc 2006‡‡		95⅞	-1	3,000	Ja7 Oc1	-	-
7¾pc 2006‡‡		96¼	-	3,900	Mr8 Se8	2.8	2300
8pc 2002-6‡‡		99⅞	-5	2,000	Ap5 Oc5	1.8	1934
Treas 11¾pc 2003-7		119⅞	-4	3,150	Jy22 Ja22	15.6	1293
Treas 8½pc 2007‡‡		102½	-1	7,397	Ja16 Jy16	9.6	1339
13½pc 2004-8		132⅞	-2	1,250	Se26 Mr26	28.9	1301
[illegible]							

	Notes	Price £	Wk% +/-	Amt £m	Interest due	Last xd	City line
Index-Linked	(b)						
2pc '96	(67.9)	213⅞	0.2	1,200	Mr10 Se16	10.8	1313
4⅝pc '98‡‡	(135.6)	111⅞xd	-2	800	Ap27 Oc27	20.9	1753
2½pc '01	(78.3)	175⅞	-4	1,700	Mr24 Se24	18.8	1310
2½pc '03	(78.8)	171⅞	-4	1,600	My20 Nv20	18.4	1317
4⅝pc '04‡‡	(135.6)	113⅞xd	-4	1,000	Ap21 Oc21	14.9	1265
2pc '06	(69.5)	179⅞	-5	1,350	Ja19 Jy19	12.8	1314
2½pc '09	(78.8)	161⅞	-5	1,900	My20 Nv20	13.4	1319
2½pc '11	(74.6)	167⅞	-5	2,200	Fe23 Au23	17.7	1310
2½pc '13	(89.2)	137⅞	-4	2,750	Fe16 Au16	11.7	1320
[illegible]							

Other Fixed Interest

[illegible]

• "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis.

STOCK INDICES

	Oct 13	Oct 12	Oct 11	Oct 10	Oct 9	1995 High	Low	Since comp. High	Low
FT-SE 100	[illegible]								
FT-SE Mid 250	[illegible]								
FT-SE Mid 250 ex IT's	[illegible]								
FT-SE-A 350	[illegible]								
FT-SE SmallCap	[illegible]								
FT-SE SmallCap ex IT's	[illegible]								
FT-SE-A All-Share	[illegible]								

	Oct 13	Oct 12	Oct 11	Oct 10	Oct 9	1995 High	Low	Since comp. High	Low
FT-SE Eurotrack 100	[illegible]								
FT-SE Eurotrack 200	[illegible]								
FT Ordinary	[illegible]								
FT Govt Securities	[illegible]								
FT Fixed Interest	[illegible]								
FT Gold Mines	[illegible]								

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

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	Selling Price	Buying Price	Yield Gross	City-Line
Credis Investment Funds				
Merrill Lynch Asset Management - Contd.				
Monterey Trust SICAV				
Morgan Stanley Sicav				
Abtrust International Ltd				
Professional Investment Consultants				
Royal Life International				
CA Securities Investment Fund Mangt Ltd				
CDC International				
Camco Investment Management Ltd				
Capital International				
Cathay Investment Fund Limited				
Chameleon Funds Limited				
Global Asset Management - Contd.				
Magna Asset Management Ltd				
Malaysia Capital Fund Ltd				
Malaysia Fund (Labuan)				
Malaysia Growth Fund				
E D & F Man Investment Products				
Republic Funds				

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Barings 8pc Cm 2nd Prf		60½xd	—	8%	–	Jun Dec	14.11	1767
9¾pc Non-Cum Prf		[illegible]	—	9¾%	–	Jan Jul	14.11	1421
Cater Allen	‡v	483	—	29.0	2.2	Jan Aug	3.7	2061
Close Bros	‡qv	306xd	−1.6	8.7	ф	Apr Nov	9.10	2196
Gerrard & Nat	‡v	446	—	22.5	1.3	Jul Dec	10.1	2656
Hambros	v□	273	2.4	7.8	0.9	Aug Dec	19.6	2812
7½pc Cv Pf		104½	0.9	7½%	–	Oct Apr	4.8	4566
Joseph (L)	‡v	425	−4.1	17.06	1.6	Sep Dec	17.7	3059
King & Shaxson	‡v	129	−5.8	9.0	1.4	Jan Jul	26.6	3085
Rea Brothers	‡v	48	—	1.8	2.4	May Sep	14.8	3785
Schroders	‡†tv□	1308xd	2.2	14.17	5.1	May Oct	18.9	3939
N/V	†tv	1105xd	−1.3	14.17	6.1	May Oct	18.9	3941
Singer & Fried	‡†v□	107xd	−.9	3.7	2.7	Nov Jun	25.9	4026
Union	‡v□	119	−1.8	3.8	–	Apr Aug	31.7	4253
Wintrust	‡v	295	—	11.25	1.5	Mar Oct	29.8	4524

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OIL, INTEGRATED - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER , PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the Official List.

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£31¼	—	Q478c	◆	Oct Apr	3'93	—
Barlow	‡	£7½	0.9	Q58c	2.3	Jan Jul	19.6	—
Gold Flds Prop 6		140xa	-1.4	Q80c	2.1	Feb Sep	1'94	—
NK Props		86	—	Q67.1c	—	Feb Sep	10'93	—
SASOL	♥	549	0.8	Q78c	—	Oct	9'93	—
SA Brews		£20¾	1.9	Q280c	◆	Jan Dec	30.5	—
Standard Bank	□	£22¾	6.5	Q264c	3.1	Sep Mar	—	—
Tiger Oats		1020	11.5	Q86c	0.5	Jan Aug	19.6	—
Tongaat-Hulett	†b	791	1.5	Q80c	2.4	Jan Jun	15.5	—

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; unless "Y" is shown in the Notes field, indicating that the cover is calculated on a "net" basis. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ◆ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ☆ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend: cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v P/e ratio & net cover calculated under new ACT guidelines. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions: Ovoca Res** (Extr Inds), **Ask Central, Crown Prods, Inner Workings and Stanford Rook** (AIM). **Deletions: Needler** (Bld Mtls), **Cambridge Isotopes** (Chems), **BTR Wrts 94/95** (Divd Inds), **Gestetner** (Elec & Ectr), **HSBC China Fd Wrts** (Inv Co), **Metro Radio** (Media) **and Eurotunnel Wrts 98** (Trans).

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4 pm close October 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	1995 Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19	12⅛	AAR	0.48	2.7	24	32	18	17⅞	17⅞	-⅛
46¼	35	AMP	0.92	2.3	21	5844	40⅛	39	40⅛	+1
80¼	53⅛	AMR			19	1569	71⅛	70⅛	76⅞	+⅝
47⅞	41½	ASA	1.71	4.1	27	280	41⅝	d41¼	41¾	+⅛
44¾	30¾	AbbtL x	0.84	2.1	16	13968	40⅝	40	40⅛	+⅛
18⅞	12	AbtiBt Pr	8.40	2.3	20	2632	17⅝	16⅞	17½	+½
27⅞	21	ABM Ind	0.60	2.2	15	7	27	26⅞	26⅞	-¼
17½	13½	Acptncain			11	669	15½	15¼	15½	
34⅝	21⅞	ACE Ltd	0.56	1.6	8	3411	24	32⅛	34	+¾
9⅞	8⅛	ACM Gvt In x	0.90	9.2	B	493	9¾	6⅝	9¾	+⅛
7¾	8½	ACM GvOpp x	0.96	0.9		22	7¾	7¼	7⅜	+⅛
7½	5¾	ACM Gvt Sp x	0.75	10.9		227	7	6⅞	6⅞	
8¾	7¼	ACM Gvt Se x	0.90	10.3		234	u8¾	8⅝	8¾	
9½	7⅝	ACM Man x	0.90	10.8		230	8¾	8½	8½	-⅛
28¼	10¼	AcmeCiv	0.48	1.9	12	1081	25	24¾	25	+½
38¾	6¼	Acme Elect			46	431	9½	8¾	9⅜	+¾
54½	23¾	Acordia	0.72	2.9	12	184	25¼	24¾	24¾	-¼
19¼	8⅝	Actava	0.36	2.1	12	918	17⅛	17⅜	17⅜	
18¾	10⅛	AcuMR			33	206	12⅝	12½	12⅝	
18¾	10⅝	Adams Expr	0.40	2.6	0	66	u18¾	18⅝	18⅝	+⅛
38⅞	24⅝	AdvMic			9	9050	29½	27⅜	27½	-¼
9⅜	5	Advest Grp	0.16	1.7	18	62	8¼	3⅛	9¼	+¼
25¼	16½	Advo Inc	0.10	0.4	20	797	u25⅝	20⅛	25½	+½
37½	24.80	Aegon	1.28	3.5	20	137	37⅜	36½	37	-¼
5⅞	3⅛	Aerflx			8	132	4¾	4⅝	4⅝	
75½	46¾	AetnaL	2.76	3.6	32	10072	72½	71	72¾	+1⅜
44¾	31⅞	Aflac	0.52	1.2	13	2713	42½	41⅝	42¼	+⅞
26⅝	18	Ahmson	8.00	3.2	18	8498	u27½	26⅝	27½	+⅞
58½	43⅞	AirPrC	1.04	2.6	16	2136	52½	51⅜	52⅛	+⅝
25⅝	18⅜	Airbne Frt	0.30	1.2	22	705	24⅞	24⅛	24¼	+⅛
20	10⅝	Airgas Inc			22	449	24⅞	24⅛	24¾	-⅞
18	13¾	Airlease	2.00	12.1	12	27	18½	16¾	16½	

Continued on next page

4 pm close October 13

NYSE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
55⅞	39⅝	SBC Cm	1.65	3.0	18	4712	55	54⅛	54½	
24¾	20½	Scana Corp	1.44	5.8	17	480	u24⅞	24⅝	24⅞	+⅛
10	14½	Scecrp	1.00	5.6	10	3822	17⅞	17⅛	17⅞	+¼
11¼	7	SchawkA	0.28	3.4	13	24	7¾	7½	7¾	-⅛
50¼	37¼	ScheringP			23	627	45	44¼	44⅛	+¼
54⅞	35½	SchrPl	1.19	2.2	19	9222	52¼	31⅞	52	
69⅝	50⅛	Schlmb	1.50	2.3	28	3407	68⅛	65⅝	65⅛	+⅛
29	11¼	Schwab(C)	0.16	0.8	30	2811	28⅝	25⅞	26¼	+⅛
24⅞	11⅞	SciAtl	0.06	0.4	17	14822	14½	13⅝	14⅛	+1¾
20	15⅛	Scotsman	0.16	6.0	10	26	16¼	16⅛	16¼	-⅛
51⅞	39½	ScottP	0.40	0.8	17	2311	49⅝	49⅛	49¼	+⅛
35¾	26⅞	Scripps	0.52	1.5	24	184	35½	35⅛	35¼	-⅛
21½	14⅞	ScuddrNAsF	0.02	0.1		221	15½	15⅛	15⅜	
11⅝	8⅝	ScuddrNEuF	0.16	1.5		372	10⅞	10⅝	10⅞	+⅛
20	19⅜	SeaCnB	0.70	3.5	2	257	19½	19⅛	19½	+⅛
19¼	14⅞	SeaC1.4625	1.46	9.2		2	15⅞	15⅞	15⅞	+⅛
49⅝	23⅞	S'gate				610139	43¼	42½	42¾	+¼
38½	25⅝	Seagrm	0.60	1.7	24	2608	36⅛	36⅞	36⅛	+⅜
22½	15¼	Seagull En			11	1225	10½	18	10¾	
28¼	16	Sealed Air			22	986	25⅞	25½	25½	+⅜
37⅝	30⅜	SearsR	0.92	2.6	6	9377	36⅝	35⅞	35½	+½
19¼	19⅛	SecCapSBI	1.15	6.3	22	631	10⅜	10	16⅛	-1
12⅞	10⅛	Seligm Sel	0.84	6.0		46	12⅛	12	12⅛	+⅛
38¼	20¼	Sensormat	0.22	1.0	21	2870	22⅝	21⅛	21¾	+½
31¾	21⅞	SequaA	6.60	2.4	7	6	25¾	25⅛	25⅜	-½
35⅛	23	SequaB	0.50	1.6	17	14	32	32	32	-⅝
40⅞	26⅛	ServCp	0.44	1.1	24	3178	48⅛	40¼	40½	
28⅞	21½	SvMstr	0.96	3.4	14	168	28¼	27¾	28	+⅛

NASDAQ NATIONAL MARKET

4 pm close October 13

AMEX COMPOSITE PRICES

4 pm close October 13

FT GUIDE TO THE WEEK

MONDAY 16

Contact Group in Moscow

The international Contact Group on former Yugoslavia meets at senior official level in Moscow. The venue reflects western keenness to reinvolve Russia in the peace process, and secure participation of Russian troops in a peace-keeping force, without granting Moscow any veto over military action (to Oct 17).

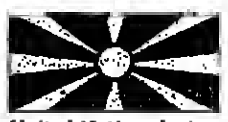
Ron Brown visits China

US commerce secretary Ron Brown arrives in Beijing for talks with foreign trade minister Wu Yi (to Oct 19). The two are expected to discuss implementing a series of bilateral co-operation agreements. Mr Brown is the first cabinet-level US official to come to China since relations chilled over the private visit of Taiwan's President Lee Teng-hui to the US in June.

Ibero-American summit

Presidents of 18 Latin American nations plus those of Spain and Portugal meet in Bariloche, Argentina, for the fifth annual Ibero-American summit. Leaders will discuss education policy, progress towards hemispheric free trade, and the impact of Mexico's devaluation on the region. The presence of Fidel Castro at the summit means that the US embargo on Cuba will also be high on the agenda.

Greek-Macedonian thaw



Macedonia and Greece are due to resume relations in line with a deal sponsored by the United Nations last month. Opening the rail link between Thessaloniki and Skopje marks the end of Greece's 18-month blockade of the former Yugoslav republic. Macedonia has adopted a new flag (above), replacing the 16-pointed star of Vergina, associated with Alexander the Great, that had annoyed Greece.

CDU party congress

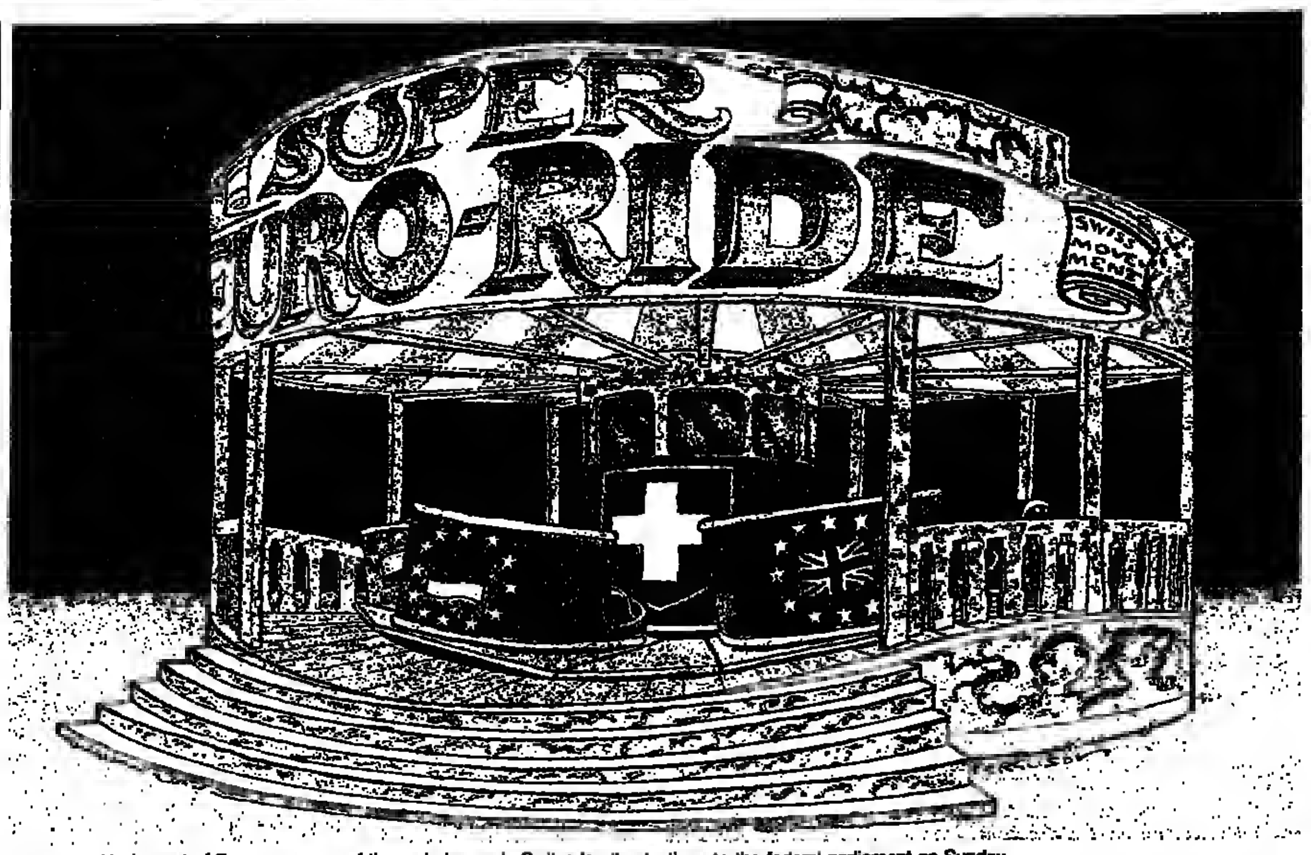
Europe and Germany's future in the 21st century are the two big themes of the three-day party congress of the German Christian Democratic Union which opens in Karlsruhe. With his popularity riding high, Chancellor Helmut Kohl, the party's leader, can count on resounding support from the 1,000 delegates. Plans for internal party reform, including a controversial proposal to allocate one third of party offices to women, will generate excitement among activists.

UN considers human rights

The United Nations human rights committee begins a three-week meeting in Geneva to examine the human rights records of Hong Kong, Estonia, Sweden and Afghanistan. The 18-strong committee vets compliance with the International Covenant on Civil and Political Rights.

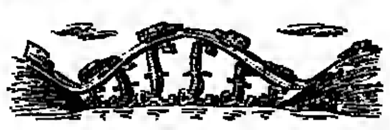
Kevin Maxwell on the stand

Kevin Maxwell goes into the witness box at the Maxwell fraud trial to give evidence in his defence to an Old Bailey jury in London. Mr Maxwell denies two charges of conspiring to defraud the Maxwell pension funds. His brother Ian Maxwell and Larry Trachtenberg, a former adviser to Robert Maxwell, both deny one charge of conspiracy.



Relations with the rest of Europe are one of the main issues in Switzerland's elections to the federal parliament on Sunday

Skye Bridge opens



The Skye Bridge at Kyle of Lochalsh in the Scottish Highlands opens to traffic. The privately-financed £24m ($37m) project (at 1990 prices) is controversial because it will levy the highest tolls in Britain. Cars pay £4.30 in winter, and £5.20 in summer, one-way. Opponents have not so far succeeded in setting up a private ferry to compete with the bridge.

FT Surveys

A-Z of Business Schools and Business Travel.

Holidays

Argentina (Columbus Day), Israel, Jamaica.

UK countryside White Paper

The UK government will publish its long-awaited White Paper on rural policy. Promised at last year's Tory party conference, the Paper will lay out priorities for managing rural areas in England and Wales. Key issues will be the balance between conservation and economic growth, the role of agriculture, and the provision of social services, transport and housing.

World tourism conference

The World Tourism Organisation opens its 11th General Assembly in Cairo, giving Egypt its official stamp of approval as a holiday destination once again safe for foreigners (to Oct 21). Delegates from more than 100 countries for which tourism is important gather once every two years in order to discuss past performance and new trends.

Egypt's tourism industry has enjoyed a strong recovery this year after being blighted by a threat from militant Islamists at the end of 1992 to target foreigners. Latest figures for the first nine months of the year show a 24 per cent rise in the number of visitors.

TUESDAY 17

International Poverty Day

The third International Day for the Eradication of Poverty will be marked by the UN's Geneva office with a concert of renaissance music and a poetry reading. More than 1bn people – one in five of the world's population – lack the essentials for a decent life, such as adequate food and shelter, according to the UN.

Saleroom

Islamic Week in London opens. Today, Christie's features a massive gold and silver brass bowl, the largest ever seen of its type, probably made in Mamluk Egypt or Syria for a follower of Sultan Salah al-Malik al-Salih, about 1351-54 and with a top estimate of £40,000 ($62,000).

On Wednesday, Sotheby's offers a life-size portrait of the 17th century Mughal Emperor Jahangir, this time the largest known surviving Mughal painting. The 7ft high Gouache painted with gold on signed cotton is expected to fetch up to £500,000.

WEDNESDAY 18

Denktash meets Clinton

Rauf Denktash, leader of the Turkish Cypriot republic of northern Cyprus, which is recognised only by Turkey, meets President Bill Clinton in Washington. The US is preparing a fresh initiative to try to re-unite the Greek and Turkish communities on the island. Mr Denktash is under pressure to settle the 20-year dispute and drop his opposition to EU membership for Cyprus.

Tokyo hearing on cult

The Tokyo District Court is to hold its first hearing on the case of former Aum Shinrikyo lawyer Yoshinobu Aoyama, who is indicted on several charges, including fraud and sheltering criminals.

Saleroom

A set of 12 George II silver soup plates with the maker's mark of the Hugenot silversmith Peter Archambo, London, 1726, go under the hammer at Christie's in New York. They were commissioned as part of the unusually well-documented collection of plate "laid down" by George Booth, the second earl of Warrington, at Dunham Massey. A figure above $100,000 is expected.

Cricket

New Zealand play India in the first Test in Bangalore, India (to Oct 22).

Holidays

Azerbaijan (Independence Day).

THURSDAY 19

Professional services at WTO

Members of the World Trade Organisation meet to discuss liberalising trade in professional services, starting with accountancy. The talks aim to encourage mutual recognition of qualifications and the adoption of common standards.

Claes under pressure

Belgium's parliament is due to decide whether Nato secretary-general Willy Claes should stand trial on charges of corruption connected with a bribery scandal involving his Flemish Socialist Party in the late 1980s, when he was a minister. Under Belgian law, only parliament can send ministers and former ministers for trial. If tha vote goes against him, Claes is expected to resign and Nato will have to find a new head at a critical time for its operation in former Yugoslavia.

London Motor Show opens

The London International Motor Show opens at the Earls Court exhibition centre (to Oct 29). Among new models taking their bows will be Rover's new 200 Series – earlier than expected – Vauxhall's Vectra and the revised Ford Fiesta, along with the Mercedes E Class, but not BMW's new 5-Series saloon.

Golf

The Alfred Dunhill Cup is played at St Andrews (to Oct 22).

FT Survey

Industry in the West Midlands.

FRIDAY 20

Quad powers meeting

Trade ministers from the "Quad" powers – the US, European Union, Canada and Japan – gather in northern England for a two-day meeting at Ripley Castle, near Harrogate, Yorkshire. The agenda includes the progress of multilateral negotiations to liberalise telecommunications, and China's application to join the World Trade Organisation.

The US and EU are also expected to discuss their dispute over compensation for EU enlargement.

Yeltsin in Paris

Russian President Boris Yeltsin begins a two-day visit to Paris. The trip is part of Mr Yeltsin's effort to restore his image as a powerful leader and statesman after a minor heart attack this summer raised concerns about his ability to rule the country. Mr Yeltsin's visit could also provide a boost for Mr Jacques Chirac, the French leader, whose government has recently been under attack for nuclear testing in the South Pacific.

FT Surveys

Korea and Quarterly Review of Personal Finance (UK only).

Holidays

Guatemala, Kenya (Kenyatta Day).

SATURDAY 21

Ulster Unionist conference

The Ulster Unionists, Northern Ireland's largest party, hold their annual conference in the resort town of Portrush, Co Antrim, at a critical time in the peace process. London and Dublin are still divided over how to get Sinn Fein, the IRA's political wing, into talks.

FT Survey

Quarterly Review of Personal Finance (UK only, repeated from Friday).

SUNDAY 22

Swiss parliamentary polls

Swiss voters elect members to the 200-seat federal parliament. Campaigning has been subdued, as usual, but divisions on the key issues, integration with Europe and government spending, have sharpened. A polarising trend to both right and left is expected to appear, but it will almost certainly not be strong enough to break the four-party ruling coalition and its cabinet that carefully balance the representation of the country's linguistic and political interests.

Berlin state elections

The Social Democrats (SPD), currently junior partner in coalition with the Christian Democrats (CDU), are expected to see their support plummet. If so, this could increase pressure on Rudolf Scharping, SPD leader, to resign. The worry for the liberal Free Democrats (FDP) is whether they can they jump the 5 per cent hurdle required to gain any seats.

Côte d'Ivoire presidency

The presidential elections will see incumbent Henri Konan Bedié virtually unopposed in his first outing at the polls. The two main opposition parties are to boycott the election because of an electoral law which disqualified the strongest potential challenger, Alassane Ouattara, a former prime minister and now an IMF director in Washington.

British Summer Time ends

Clocks go back one hour in the UK and Ireland.

Motor racing

The Pacific Grand Prix is run at the Aida circuit in Japan.

Compiled by Patrick Stiles.
Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Tuesday: After months of economic gloom in Japan, data out this week may present a slightly less negative picture.

The annual rate of industrial production is expected rise slightly in August. However, broad money supply is expected to remain flat, highlighting the low inflationary pressures in the economy.

Industrial production in the US is also expected to show a small rebound in September.

In the UK, the level of government borrowing in September is likely to have been slightly smaller than the previous month.

Wednesday: UK unemployment is likely to have declined in September, albeit at a smaller rate than in August. Howevar, this may have benign inflation implications, with earnings forecast to remain unchanged.

Thursday: French industrial production is expected to fall between July and August, though by slightly less than the previous month.

Friday: The Bank of Japan's quarterly economic report will be studied for any sign of recovery. Meanwhile, consumer spending is likely to show a slight increase in the year to August.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	Aug business inventories	0.2%	0.3%
Oct 16	Japan	Sep overall wholesale price indx*	0.7%	0.7%
	Japan	Sep overall wholesale price indx**	-0.2%	-1.0%
	Spain	Aug producer price index**	6.8%	6.9%
Tue	US	Sep industrial production	unch	1.1%
Oct 17	US	Sep capacity utilisation	84.0%	84.3%
	US	Johnson Redbook w/e Oct 14	-	-1.2%
	Japan	Aug industrial production†	-	2.4%
	Japan	Aug shipments†	-	3.2%
	Japan	Sep money supply (M2+cash dep)**	2.8%	2.8%
	Japan	Sep broad liquidity**	-	3.7%
	Japan	Sep trade balance, customs cleared	$10.5bn	$12.0bn
	UK	Sep public spending borrowing req	£4.0bn	£4.6bn
	Canada	Aug manufacturing new orders	0.0%	3.1%
	Canada	Sep lead indicators*†	0.1%	-0.2%
Wed	US	Aug trade balance, goods/services	-$11.0bn	-$11.5bn
Oct 18	US	Aug goods & services, export (BoP)	$64.4bn	$63.1bn
	US	Aug goods & services, import (BoP)	$75.7bn	$74.3bn
	Japan	Oct wh'sale price indx (1st 10 days)	-	-0.2%
	UK	Sep unemployment	-5,000	-18,000
	UK	Aug average earnings	3.25%	3.25%
	UK	Aug unit wages 3-month**	3.5%	3.4%
	UK	Aug retail sales*	0.6%	-0.8%
	UK	Aug retail sales**	0.3%	0.4%
	Canada	Aug merchandise exports*†	5.0%	-7.1%

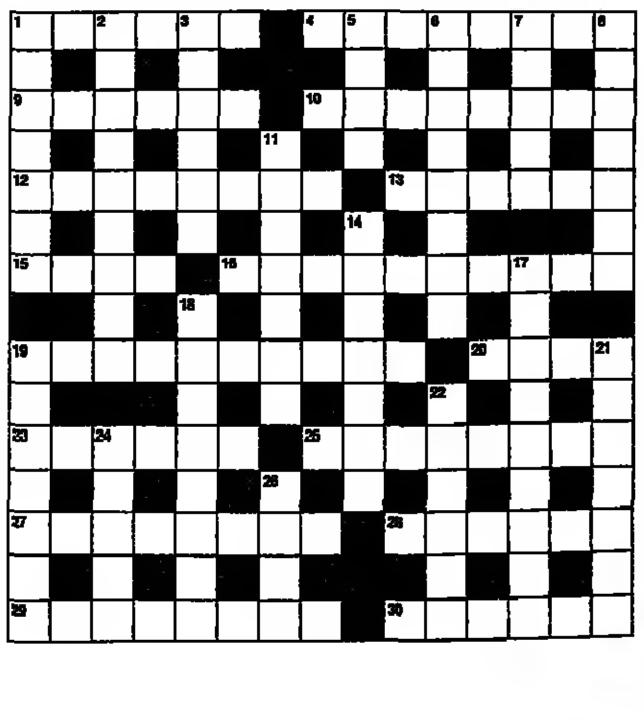
Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Thur	US	Sep housing starts	1.40m	1.40m
Oct 19	US	Sep building permits	-	1.36m
	US	Initial claims w/e Oct 14	345,000	348,000
	US	State benefits w/e Oct 7	-	2.62m
	US	Oct Philadelphia Fed indx	-	26.4
	France	Jul/Aug industrial production*†	-0.1%	-0.4%
	France	Jul/Aug manfacturing production*†	-0.2%	-0.4%
	UK	Sep M4*	0.5%	0.7%
	UK	Sep M4**	8.6%	9.5%
	UK	Sep M4 lending	£3.5bn	£2.1bn
	UK	Sep bdg scty net new commitments	£2.6bn	£2.7bn
Fri	Japan	Aug overall pers consump expend**	0.4%	-1.1%
Oct 20	France	Sept consumer price indx final**	2.0%	1.9%
	UK	Sep trade balance ex-EC	-£900m	-£996m
	Italy	Aug producer price indx**	9.0%	9.2%
	Italy	Aug wholesale price indx**	10.7%	11.5%
	Canada	Sep consumer price indx, all items**	2.4%	2.3%
During the week...				
	Germany	Aug industrial production, West*	-2.0%	4.0%
	Germany	Aug manufacturing output, West*	-2.0%	4.3%
	Germany	Sep fnl cost of living, pan Germany**	-	1.7%
	Germany	Sep prod price indx, pan Germany**	2.0%	1.8%
	Germany	Sep M3 from 4th qtr '94 base	0.8%	0.3%
	Italy	Sep balance of payments	L0.8Tr	-L1.8Tr

*month on month, **year on year, †seasonally adjusted. *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD
No.8,893 Set by DANTE

ACROSS
1 Poison in one's ear – that can be alarming (6)
4 Nuts? You'll need these (8)
9 Come to a hill (6)
10 Get away with a clip around the ear (5,3)
12 Faulty hearing of one caught in cold wind (8)
13 Crush the spirit (6)
15 Error found in the galley-proof (4)
16 A working reserve (6,4)
19 Actors are prepared to appear in it (4-2,4)
20 Rail put about an animal's den (4)
23 Results of exposing plots (6)
25 A gastronomic treat? (4,4)
27 Split seen in a sexy dress? (8)
28 The way a sailor turns beds (6)
29 Too many of these made Henry late, it's said (8)
30 Cut by a quarter? That's serious (6)

DOWN
1 Shocks coming from Sumatra (7)
2 An implement for eating meat paste (9)
3 Disregard ona note and and not another (6)
5 Part, or parts of the fish left in (4)
6 Head holding in court (8)
7 Designed to be a speedy vessel (1-4)
8 The case for school books (7)
11 Stuffy complaint (7)
14 Paints and embroiders (7)
17 Generally one should admit a grave error (2,7)
18 Not a difficult opponent to topple (4-4)
19 Supernatural calm created round a soldier (7)
21 Free news publication (7)
22 Settle down in northern steel organisation (6)
24 At the side of a supporter (5)
26 Most unfair (4)



A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. *Solutions by Thursday October 26*, marked Monday Crossword 8,893 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution oo Monday October 30. Please allow 28 days for delivery of prizes.

Name..

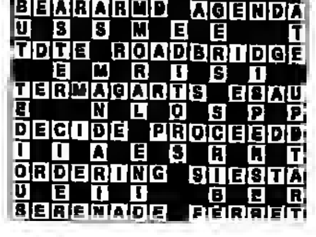
Address..

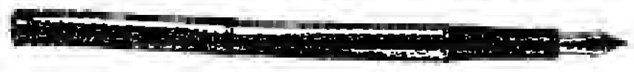
....

Winners 8,881

Miss D. Holt, Kirkham, Lancashire
P. Conyers-Silverthorn, Lille, France
Mrs Suzanne Farquhar, Woodley, Berkshire
R. MacFarquhar, London N1
Mrs D.J. Sanderson, London W14
Mrs J. Williamson, Marlow Bottom, Bucks

Solution 8,881





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Editorial production: Roy Terry

Class-conscious companies cut costs

Scheherazade Daneshkhu finds that the halcyon days of travel have gone

For the business travel industry, the recession was, as for many other industries, a nasty surprise. Even though business volume is increasing, the main elements in the industry – travellers, suppliers and distributors – are preoccupied with controlling costs to protect themselves against a resurgence.

A survey of business travel trends by Carlson Wagonlit, a leading US travel agent, found that although downgrading seemed to be over, there was not much evidence of upgrading either. More than 80 per cent of business travellers said there had been no change in the class of travel available to them over the past year. The survey also indicated that travel volumes would grow, with 23 per cent of business travellers expecting to take more trips over the next year.

"There is a strong indication that the painful process of downgrading in class of travel is all but over plus the further heartening news that the volume of travel is likely to swell," said Mr Richard Lovell, group managing director and vice-president for northern Europe at Carlson Wagonlit.

Mr Eric Brannan, senior vice-president for European business travel operations, says that only a few companies are relaxing their travel policies, after the tightening which accompanied the Gulf War and the recession. "We have seen an increase in the number of trips taken, but on the whole companies are maintaining a tight grip on the class of travel," said Mr Brannan.

Mr Andrew Fletcher, chairman of The British Travel Liaison Group, an association of large corporate travel consumers, says that some travellers are returning to first class cabins, but previous levels of custom have not been matched. "The pattern of business travel has changed, partly because economy and club class cabins have got much better and because there is a lot of competition between airlines."

Some suppliers and distributors had feared that new communications technology, principally video-conferencing, might replace the need to travel. The Carlson Wagonlit survey found that 71 per cent of business travellers did not think video-conferencing would influence the number of business trips they take.

Instead, many companies are using it as a useful follow-up to meetings or to replace marginal travel. Ms Dale Scholefield, sales director at Gray Dawes, an independent business travel agent in London, said: "The recession and consequent redundancies within larger companies as well as the effects of increasing globalisation of many companies, has meant that in general, while there may be fewer people in companies who are travelling, those who do travel have to do so more frequently.

"Video-conferencing will aid them in their own time management, helping them slot in follow-up video-conference meetings between trips, but we do not see it as a threat. Nothing substitutes for the face-to-face meeting, the handshake and the deal closed," Ms Scholefield added.

Hotels, too, have experienced recovery in many parts of the world. Mr John Wallis, senior vice-president, marketing and sales, of Hyatt International, said: "Since September 1993, business travel volumes are back at the levels we experienced before the Gulf war. We believe that business travel will stay buoyant."

Improved economic conditions are prompting the large international chains to open hotels in emerging business destinations. Inter-Continental, Hilton and Hyatt are all opening hotels in South Africa this year. Marriott is operating the first western-managed hotel in Beirut for 15 years. Hyatt has established itself in oil-rich Baku in Azerbaijan, and Inter-Continental opens the first five-star hotel in Albania in 1997.

Increased demand in more traditional business destinations has meant that hotels can command higher room rates other than in cities, such as Paris, where unfavourable economic conditions continue to depress the market. "Two years ago obtaining competitive hotel rates was relatively easy – often all you had to do was walk up to the reception desk and ask," said Mr Mike Gates, director of central services at Hogg Robinson, business travel agents. "The situation started to change dramatically at the end of 1994, a factor very noticeable in London, and individuals lost the power of negotiation."

But the rate-conscious business traveller, concerned with getting value for money, has not ditched these concerns, according to Four Seasons Regent hotels; while hotels themselves have streamlined costs. "During the recession, hotels practised greater management flexibility, alongside cost controls and minimisation of waste, and these have been valuable lessons for the post-recession period as well," said Four Seasons.

Airlines, too, are taking a close look at their costs, particularly in distribution. Many airlines hand out free miles to travellers, give commission and discounts to travel agents, and sometimes barter tickets to corporate clients. In the US, large carriers have cut back on commissions paid to travel agents on domestic travel.

Mr Hal Rosenbluth, president of Rosenbluth International travel agents, says the effect of this in the US has been an industry swing towards fee-based contracts between travel agents and customers and away from travel agent remuneration by commission from suppliers.

The large business travel agents do not want to become dispensable. As a result, they are persuading corporate clients that they can help control their travel costs by analysing the pattern of travel within a company. Mr Fletcher, of the British Travel Liaison group, believes that business travel agents can help companies cut their travel costs. "You are paying professionals who have a database and are trusting them to perform. They are investing in the computer reservation systems and interpreting companies' travel patterns, which is adding value," says Mr Fletcher.

But although travel agents may be able to provide companies with advice for shaping corporate travel policies, it is up to the company to enforce it. Suppliers are hedging their bets by trying to influence the traveller with incentives such as frequent-flyer schemes and loyalty programmes. Moreover, many hotels and car hire companies are linking up with airlines to provide reciprocal benefits. Frequent-flyer programmes have increasingly become a source of tension between corporate users of travel and the airlines. Corporate users argue that the benefits of frequent-flyer programmes should go to the company and not to the individual.

"The distribution channels between the business traveller and the airlines and hotels is at a critical stage," says Hyatt's John Wallis. "Companies find it difficult to dictate to top management where they will be staying." In his experience, "location remains the single most important factor when a traveller is selecting a hotel, so we find that our guests are loyal to a hotel rather than to a chain. Seventy-two per cent of our guests are individual travellers – most of whom book through the local office."

A survey published by the Reed Travel Group last year backed up the proposition that travellers like to make their own decisions. It found that the more senior the traveller, the more control they wanted over their travel arrangements. More than half chose their own airline and just under half, their own hotel.

For this reason, Reed Travel Group believes that agents have a niche role in providing corporate customers with information about flights and hotels through automated services. Corporate customers will plan their own itinerary but use the agent to negotiate the best deal.

■ **Cutting costs: Amon Cohen** looks at four companies

Middlemen miss out

The old-fashioned travel agent is gradually being replaced by direct booking systems

Michael Jack, travel director of US drugstore giant Wal-Mart, believes he can cut 10 per cent from his company's $30m air travel budget in the next year.

He can do it, he aays, through agentless travel and Wal-Mart is thought to be the first large company to be trying out the idea.

Wal-Mart's 8,000 frequent-travellers are each being given a 30-minute training session in which they are taught to make their own travel arrangements by using personal computers.

Wal-Mart's software allows travellers to enter their flight requirements. After feeding in the details, the computer lists relevant departure times and fares.

The traveller selects tbe flight and it is instantly booked into the airline reservations system.

Contact with a travel agent is avoided and, if it is a US domestic flight, the chances are that a travel agent will not be required to issue and deliver a ticket. The US domestic aviation industry is rapidly moving to an electronic ticketing environment.

Wal-Mart's system can only be used for simple one-way and return airline tickets.

But Mr Jack belleves that, with the advent of voice recognition and other technological improvements, the system will bandle 95 per cent of all the rompany's travel requirements within five years.

"Travel managers who do not look into this type of automation will be replaced in the future," sald Mr Jack.

But it is not only travel managers who could be replaced. What wlll bappeo to tbe old-fashioned travel agent, wbo used to take a client's request over the telephone, find out the best fare, and tben send a ticket via courier? Who would be beartless enough to replace them with robotics?

The answer is: travel agents. Wal-Mart's technology was supplied by Rosenhluth International, the third-largest travel agency in the US after American Express and Carlson Wagonlit Travel.

Like a small number of fallow agents on both sides of the Atlantic, Rosenhluth company president Hal Rosenbluth has realised that there is no future in being an order-taker.

Until recently, corporate clients relied on agents to steer them through the Byzantine computer reservations systems (CRSs) of the world's airlines.

Today, however, there are a growing numher of uaer-friendly front-ends that anyone can understand.

Worse still for tha agent, the distrihution channels for the CRSs are proliferating. Booking airline seats via the Internet is only a matter of months away, while it is already possihle to use several on-line systems for reservations in the US.

The technological developments are making clients and airlines realise it is cheaper to deal with each other direct and to cut out the middleman.

Instead of re-selling tickets on behalf of airlines, therefore, Rosenblutb and its fellow agents provide management information and back-up services, which help clients to cut costs.

It is significant, that Mr Jack does not envisage his cost reductions coming from paying his agency less. Instead, be will make savings from the way the software encourages users to select airlines with which Wal-Mart bas negotiated special deals.

In the UK, there is little evidence that corporate clients will use agentless technology to cut loose from their agents. Some even believe the new systems will enable client and agent to cut costs together.

Reckitt & Colman, the bousehold products group, will shortly beta-test a product called SABRExpress with its agent, P&O Travel.

Tbe software enables employees to make simple reservations on their PCs. But because the booking is made through a link to P&O Travel, all bookings are entered automatically into the agent's management information systems.

Carlton TV of the UK made its own arrangements to move the cast for its historical drama, Sharpe, to Turkey

The other benefit is that a P&O Travel employee can take over if the booking becomes too complicated.

"This gives us the flexibility to make bookings from anywhere at any time," said Alex Bruce, Reckitt & Colman's facilities manager.

"Our busy executives can change their travel arrangements while on the move by plugging into their laptops and making a few key-strokes," he said.

Mr Bruce said tbat taking over some of the simpler bookings would bring tbe company and P&O Travel closer together.

"P&O Travel can get on instead witb more demanding issues such as running our travel policy and dealing with complex bookings," Mr Bruce said.

Another travel agent with a similar system is East Anglian independent Seaforths Travel, which is attracting interest from mnch higger rivals because of its software package Ticket Window.

Oil company Hallihurton Holdings has already started to use Ticket Window for its domestic air bookings. Norman Ryan, Hallihurton's corporate travel manager, believes his company will make a great saving from Ticket Window because he can claim a greater ahare of the airline commission that Seaforths earns on the bookings.

Seaforths is happy to hand over tbe rebate because its system involves fewer personnel to operate it.

"I am very keen to develop Ticket Window because it adds tremendous value to my company," said Mr Ryan. "It also prepares the way very well for airline commission capping, whicb will inevitably come across the Atlantic."

Soma companies, however, might be reluctant to give employees too mnch booking power, yet would like the reservations process handled internally. One such company is Carlton Television, one of the few, if not the only, corporate client in the UK to have its own CRS.

Carlton now books half its travel requirements itself, a welcome degree of control for complex arrangements such as sending a crew of 45 to Antalya for 12 weeks to film the historical drama *Sharpe*.

Nevertheless, Julia Greenhough, Carlton Television's travel manager, also retains American Express, partly for ticketing purposes hut also for the facilities she could never afford, such as 24-hour worldwide service.

There have been times when the agent has really come into its own, such as the occasion when Mrs Greenhough was awakened at 2am on a Sunday morning by a call from a distraught producer in Thailand asking for a brand new travel scbedule and $10,000 in the next hour.

Mrs Greenhougb rang an Amex 24-hour helpline, which duly provided the goods.

■ **Travel agencies: By Scheherazade Daneshkhu**

The shadow of the cap

American carriers are cutting payments. Will European airlines follow them?

A change with ominous implications for business travel agents took place in the US earlier this year. American carriers capped the amount of commission paid to travel agents on the sale of domestic tickets.

Delta Airlines led the way in February. It said that, although it would continue to pay agents the usual 10 per cent commission, it would do so only to a maximum of $25 for a one-way domestic ticket costing more than $250, or $50 for any round-trip ticket costing more than $500.

Since travel agents have fixed costs, abeorbing this commission squeeze reduces already tight profit margins.

However, Mr Eric Brannan, senior vice-president of husiness travel operations in Europe for American Express, says that commission capping in the US is beginning to go full circle, with agents passing on the cost to their clients by reducing the amount of rebate paid.

"Some of the client companies have now gone back to tbe airlines and are demanding that the airline replace what bas been lost througb the agent," he says.

Business travel agents in Europe are opposed to commission capping, altbough few think that airlines will go down exactly the same route. For a start, the commission cap in the US was not on international travel but on domestic flights only, which comprises a far larger market tban tbe internal markets of European countries.

However, Mr George Paton, chairman of the Guild of Business Travel Agents, wbose members manage 80 per cent of the UK business spend, says there have been threats by some airlines to cap commission.

"We are fighting its introduction because we do not think it will enhance the profitability of the travel industry, which in turn will make it more difficult for the industry to provide a high-quality of service to the customer – and the customer would suffer."

Nevarthelesa, almost all travel agents agree that airlines are justified in seeking ways to reduce their distribution costs, though they also want a say in that process. The guild is currently in talks with British Airways, among others, on a mntually acceptahle way of doing this.

Mr Brannan believes that one answer lies in improving the way technology is used to make savings.

"The question is: can we find more efficiency in the process to drive longer-lasting savings than are made in the American way?"

Although the Idea of less commission is bad enough for most travel agents, their greateat fear is that of heing hypassad altogether. Airlines are increasingly selling direct to companies, and are forming alliances with car-hire companies and other airlines to provide a form of one-stop shopping service.

Moreover, technology is also making it easier to book direct. Some travel agents believe there will be electronic-mail links between customers and suppliers in the future, whila reservations through teletext and the Internet are possible.

Business travel agents have responded by increasing the services they provide to companies, and have cast themselves in the role of travel management companies.

Mr Paton says: "The days of tbe corporate client being satisfied with air tickets only is long gone. The value of husiness travel agents lies in their management of tbe travel expenses of the corporate customer, and in distributing the airlines' product range."

Ms Dale Scholefield, sales director at Gray Dawes, an independent travel agency, says the provision of management information is a crucial part of this. An active business travel agent "will use management information as a tool to identify cost-saving opportunities on an ongoing basis and trends can be identified wbich may necessitate a change in a company's travel policy," says Ms Scbolefield.

Although management information systems (MIS) have generated a lot of excitement, they are far from perfect. "We are all trying to improve the provision of information to our customers," says Mr Brannan. "MIS is a relatively new science and still has some way to go."

Mr Mike Gates, director of Central Services at Hogg Robinson, says: "The hig question, of course, is: how much do the services of professional travel management companies cost, and what exactly do I get for my money?

"Many agents are paid by commission only, and even the least cynical travel booker can see that, on this basis, the higher the rates, the more money is earned. There is little incentive, or indeed interest, in securing the best possihle rate."

Hogg Robinson, instead, has for several years advocated an "open-book" traval management policy, which has become an increasingly common form of remuneration.

Clients are charged a consultancy fee, but also pay incentives linked to performance and savings, while commission generated is passed back to the clients.

Ms Scholefield believes that the logical outcome is towards fees. "The agent is becoming the neutral consultant, advising on which airline deals are best for a client's requirements.

"This trend is likely to lead towards agents working on a fee basis, as opposed to being rewarded through airline commission," Ms Scbolefield adds.

That day is probahly still a long way off. Mr Paton says that, overwhelmingly, payments made to travel agents are still commission by airlines. But a shift towards fees would be welcomed by companies which are unhappy with the commission system, particularly tbe use of "override" commission which pays above-average rates if the agent is able to guarantee greater business volumes.

Mr David Newkirk, of Booz Allen and Hamilton, says that, although travel agents are in theory an obsolete and inefficient retail channel, in practice, they are hard to dislodge.

■ **Cutting costs:** the UK Ministry of Defence spends more than anyone else on travel, says **Amon Cohen**

Big spender studies budget cuts

Travel costs the UK Ministry of Defence £400m annually without the use of agents

The largest commercial spender on business travel in the UK is BT, whose annual budget is about £40m.

It is a colossal sum but a gnat-bite compared with the total travel costs of the nation'a hlggest spender, the ministry of defence.

Since the MOD's £400m spend covers 400,000 bighly-mobile personnel and is part of a £23bo *overall budget*, it is not an outrageous figure. What is more, it is all done without the henefit of commercial travel agents.

But there is no room for complacency and the Defence Costs Study prompted by the government's Front Line First policy of cuts away from front-line defence operations has sparked a drive for economies in travel. In charge of the project is the bead of the MOD travel policy review team, Terry Wooden, a former director of internal audit at the ministry.

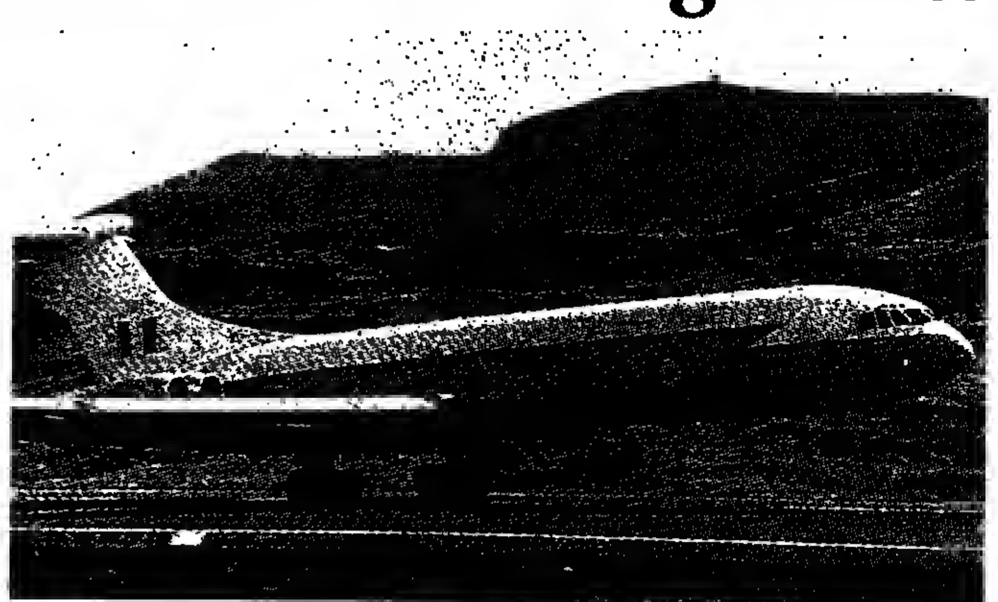
He has brought in business travel consultancy Michael Cleeve Associates to make an assessment of the MOD's travel managemeot from a private sector perspective.

Cleeve makes its report later this montb and the results sbould make fascinating reading, not only for the MOD but as a case study for anyone looking to bring down their travel costs.

What Cleeve will have found during its six-month investigation was a botchpotch of inspired, hard-nosed deals with airlines, hotels and car hire companies, but with all the good work undermined by arcane administrative practices.

Of the estimated £400m, half goes on leave and postings. The rest is travel in the course of duty, ranging from troop movements (other than on service transport) to attending meetings, training and sports fixtures.

Mr Wooden estimates the annual air budget at £60m-£70m. About half of MOD air travellers use eitber aircraft belonging to the Royal Air Force's Air Transport Fleet or civil aircraft chartered by the ministry.



Many UK Ministry of Defence air travellers use aircraft belonging to the RAF's Air Transport Fleet

However, £40m is spent on booking scheduled air seats for the other half, for whom in-bouse fleet or charter options are not available.

Mr Wooden believes Cleeve will conclude that the MOD drives an extremely hard bargain on its deals, particularly British Airways, which has a 65 per cent share of the ministry's scheduled air business.

"Our bargaining poaitlon with BA is obviously second to none," Mr Wooden said.

It is behind the negotiating front line where the problems start. Above all else, the MOD has weak management information – the detailing of who has travelled where, by what means and at what cost.

Like all wars, the fight against spiralling travel costs cannot be waged without comprehensive, co-ordinated information and until the MOD knows how much it spends and with wbom, it will be difficult to make worthwhile assessments of efficiencies.

"We know there is scope for improving our management information," Mr Wooden said.

"We need to bring it all together on a single database. The information is currently held in a number of separate places." "Not only that but the air, hotel, rail and car hire booking departments are all located in different parts of the ministry. The ludicrous consequence is that someone travelling from, say, Plymoutb to London, would have to contact three different people to compare times and prices for journeys by different modes of transport and another person still to book accommodation."

When one also considers that there are 1,000 budget bolders in the MOD plus hundreds of subordinate units, the extent of tbe administrative chaoa becomes clear.

There would therefore be a strong prima facle case for bringing in a commercial travel agent to centralise the travel booking and management information processes.

After all, the ministry's policy is to transfer to the private sector any work that could be done more cost-effectively without prejudicing operations.

"That's a fair conclusion to draw," said Mr Wooden, "but there are a number of areas that still have to be considered."

Among these is the inevitable question of security. There would have to be no risk of travel details, especially troop movements, being leaked.

Mr Wooden is also worried ahout commercial security. He fears that airlines might be upset if the MOD were to reveal just how excellent its discounted fares were to travel agents whose negotiated discounts were not so impressive.

A further objection is that the MOD's movement of passengers is heavily integrated with its freight transport arrangements. Could a travel agency cope? "There is a great deal of in-house awareness and expertise required that would not necessarily be accommodated by the local branch of Thomas Cook," said Mr Wooden.

Other areas of improvement that Michael Cleeve Associates is expected to Identify are rationalising the MOD's wide selection of travel policies, establishing performance indicators and moving from the issuing of daily allowances to reimhursing travellers retrospectively for the sums they spent.

This last point would certainly be a step forward. The MOD has access to hotel rates specially negotiated by the computer company IBM (it pays for the privilege of using IBM's accommodation database) but there is no point in driving costs down in this way if travellers are paid the same flat allowance.

If the MOD does move towards reimbursement, it will need to equip all its travellers with charge cards to help capture all their travel and associated expenses; such as meals. The ministry is tberefore weighing up whether it should issue Its own hranded card or buy into an existing one such as American Express or Diners Club. Mr Wooden flew to Washington last month to examine bow the US defence forces use the Amex card.

With so many ohvious differences to the way a commercial company is operated, the MOD review can hardly be regarded as a blueprint for private companies looking to cut trsvel costs.

However, it gives a good idea of the general areas that need to be examined. And Mr Wooden concludes that tbe MOD does one thing well.

"I believe we can get better deals from face-to-face negotiations witb travel providers than an agent can," be said.

"It may be hetter for big companies to negotiate directly and leave their agents to implement the agreements."

■ Airports of the future: By Michael Skapinker

Opposition is inevitable

Entrepreneurial objectors have bought land in the path of Schiphol's fifth runway

The one thing that can be said with certainty about the new airports, and airport extensions, of the 21st century is that their construction will be furiously opposed. New airport davelopments always are.

London Heathrow airport's plan to build a fifth terminal, currently the subject of a planning inquiry, is being strongly resisted by environmental groups.

The proposed Heathrow terminal is also being strongly resisted by many of the local authorities in the immediate vicinity of the airport, even though many of their residents would be beneficiaries of the jobs which Heathrow says the terminal would create.

Schipbol airport in Amsterdam wants to build a fifth runway, but will first have to find a way of dealing with the entrepreneurial objectors who have bought a parcel of land in its path.

Ona airport, Kansai International in Japan, took to the sea to escape objections to the noise that would be caused by flights 24 hours a day. Kansai is built on an artificially created island in the middle of Osaka Bay.

The airport, constructed at a cost of Y1,500bn ($14.42bn), is the world's biggest terminal, with a length of nearly 2km. It is linked to the mainland, 5km away, by a double-deck road and rail connection. It is said to be the only man-made structure, other than the Great Wall of China, visible from space.

The 21st century airport is likely to be a place offering far more to do than simply catcb or disembark from an aircraft. BAA – wbich owns airports sucb as Heathrow and Gatwick in London and Glasgow and Edinburgh in Scotland – bas already turned its terminals into some of the UK's most up-market shopping malls.

Airports offer many advantages to retailers. The terminals are crowded with thousands of people with little to do but shop. Airlines used to ask passengers to check in an hour before departure; these days airlines often specify two bours – giving passengers even more time to spend money in the shops.

Airport retailers know, too, that everyone passing through their doors is at least reasonably well-off, or certainly rich enough to afford an airline ticket.

Many US airport operators are commercial novices compared with BAA, bot the UK group aims to change that. It already runs retailing facilities at Pittsburgh airport and recently won the contract to manage the whole of Indianapolis airport. BAA wants to use these two airports to persuade other US cities that it can increase revennes from their terminals, particularly by improving and expanding the shopping facilities.

Airports are likely to offer passengers, particularly those in transit, other ways of spending their time and money apart from shopping.

Schiphol has attempted to turn itself into a series of leisure facilities, designed to cater for the transit passengers who last year made up 40 per cent of the 23.6m people who passed through the airport.

Transit passengers can play virtual reality golf at Schiphol. They choose a real golf course from around the world, whose fairways and greens are then projected on to a screen. Players hit their ball against the screen. The real ball hits the screen with a thud, but golfers then see it, on film, soaring to where it would have travelled had the course been real.

Schiphol is investigating the possibility of providing passengers with a cinema. Earlier this year, it opened the first casino in any airport in the world. Schipbol expects other airports to open casinos over the next few years.

Schiphol exemplifies another trend which will become apparent in new airport developments elsewhere. It has large windows in its terminal, providing extensive views of the world outside. This is in contrast to airports built in recent decades which have few windows or views, making it difficult for passengers to see where they are or what is happening on the runways.

The plans for Heathrow's Terminal Five show an airport with extensive views outside. BAA's Stansted airport in Essex is a light and airy building of the sort planners think will become the norm in the 21st century. Airport users are often tired and disoriented. Allowing them to see where they are makes the experience of arriving in a new city or town less threatening.

Mr Raymond Turner, BAA's design director, says airports in the 21st century will have to take account of the rising average age of the populations of the industrialised countries. A far higher proportion of airport customers will be over the age of 60, he says.

This will mean that airports will have to develop additional ways of moving passengers around in greater comfort. Airports will have to try to reduce the long walks between departure lounges and gates and between arrival points and baggage retrieval halls. This will involve greater use of moving walkways and more vehicles to carry older passengers over long distances.

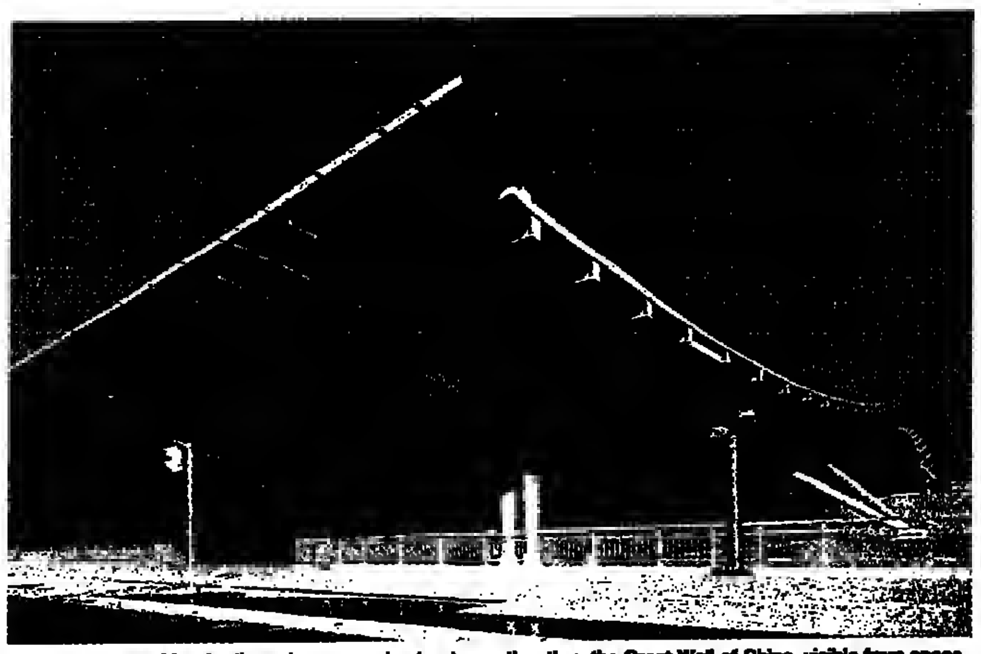
Mr Turner says airport signs will also change. Many of these are too confusing. Instead of signs, he says, airports will have to rely on arranging their facilities in such a way that it becomes obvious to passengers where they have to go.

One annoying feature of airports that passengers will find little escape from, bowever, is overcrowding. This is particularly true in Europe where airports such as Heathrow, Frankfurt and Düsseldorf are already severely congested.

Mr David Hinson, administrator of the Federal Aviation Administration, says that air traffic will double over the next 20 years, from today's level of 1bn to 2bn. Mr Hinson says that public opposition to new building will mean that airports will not be able to solve the problem by "pouring concrete".

Instead, aircraft and air traffic controllers will have to rely increasingly on satellite navigation rather than the existing ground-based radar systems. The greater accuracy of satellite navigation will mean that the gap between aircraft taking off and landing could be reduced.

Although this might make it easier for airports to receive greater numbers of aircraft, it will not make life any more comfortable for passengers once they arrive in the terminal buildings.



Kansai Airport: said to be the only man-made structure, other than the Great Wall of China, visible from space

The terminal roof of the new Denver international airport resembles the nearby Rocky Mountains

■ Frequent-flyer schemes: By Kate Bevan

Fair deals or fare deals for travellers?

Employers are divided in their attitudes to perks that reward loyalty to a single carrier

Frequent-flyer achemes are good news for travellers. In return for making regular trips with the same airline, they can receive all kinds of rewards, including free tickets, seat upgrades and a plethora of benefits, ranging from a turn in a flight simulator to a ballooning trip.

Yat they are a source of irritation to many businesses, which say that excessive loyalty to one carrier by executives, keen to accumulate frequent-flyer points, can distort travel policies and cost corporations money.

Invented in the 1980s by US airlines, frequent-flyer schemes have become vast and complicated edifices, with hotel and car hire partners, as well as credit cards, petrol stations and telecommunications groups.

Airlines have a bewildering number of relationships with other carriers as well. For example, yon can rack up miles on your Continental account by flying with Aerolineas Argentinas, Alitalia and SAS; and, given the interlocking of airline partners, you could also add to your Virgin Atlantic Freeway account by flying SAS.

So labyrinthine are the schemes that Randy Petersen, an American, has used his experience of freqnent-flyer schemes to establish the Frequent Flyer Club. It produces an annual guide to the schemes, as well as a bimonthly magazine with all the latest tips to help travellers keep track of the perks.

The view of some husinesses is that frequent-flyer rewards are a fair perk in return for the inconvenience of travelling away from home. But Andrew Fletcher, chairman of the Business Travel Liaison Gronp, which represents corporate users of the travel industry, says "the reality is that fare-saving opportunities are being rejected" as people travelling on business dream up ruses to stick with carriers offering them frequent-flyer bonuses.

Mr Fletcher says he has heard some "resourceful reasons" from people seeking to travel with their preferred airline. He quotes the example of a traveller who, in order to rack up some more points, flew with one airline, even though it meant the itinerary was longer and time on the ground was shorter. Mr Fletcher would like to see the benefits return to the company huying the travel, rather than baing passed to the individual. "These benefits could be wrapped together in a better deal on fares," he says.

In the US, tha Business Travel Contractors Group has gone a stage further, and has been negotiating with travel agents in a schema which could have spelled the end of freqnent-flyer schemes. The group wants to use its corporate clout to end what it sees as a wasteful and inefficient system whereby travel agents steer customers towards the airline that pays the agents the highest commission, rather than the one best suited to the corporate buyer's needs. The idea is to cut out the distribution and marketing costs of tickets, in which are included the expenses of running frequent-flyer schemes.

However, these achemes hava been a big stumbling block for the group negotiating with tha airlines, and it has had to drop thet element of its plan.

Mr Petersen, writing in the Septemher/October issne of InsideFlyer, is apprehensive about the move. While frequent-flyer schemes hava survived the move to do away with them in the US, he believes thet, in Europe, such clubs could be seen as dispensable by the airlines. He warns: "While the corporate travel manager and the BTCG may have negotiated and introduced the idea, it will be the airline itself that is viewed as the bad guy."

This may be alarmist, as the airlines themselves see no need to abandon the schemes. British Airways points to the whole package of membership of its Executive Club. "Do they want to do away with executive lounges, the international helpline, the discounts on immunisations at BA travel clinics?" the carrier asks.

"We believe we offer valne for money," says Mary Thomas, BA's brand development manager for the Executive Club. She points to BA's Executive Club corporate card agreement, which goes some way towards answering the concerns of big users. "It's a hybrid version of the club," she says, but a significant part of the UK membership. This offers corporations the benefits of the Executive Club's partnerships with organisations such as car hire and hotel groups.

But ultimately BA's club is tailored to the individual: "Travel is seen as very traumatic, taking people away from their families – they look to the Executive Club to ease that. Things like points and miles are targeted at improving the individnal's experience," says Mary Thomas. From the corporate point of view, she says, BA "offers a range of fares which are competitive, and we believe we offer the right prodnct for the right price."

Virgin Atlantic goes further in answering corporate concerns. In addition to its Freeway programme for freqnent flyers, it also has a Corporate Freeway scheme, under which businesses as well as individual travellers are credited with miles that can be exchanged for free flights on the carrier's network. Businesses receive regular statements for their corporate accounts, although employees have to travel in Upper Class – the airline's business class – or Premium Economy (a full-fare ticket). The cost-conscious company sending people on work trips in Economy does not get any miles at all.

Frequent-flyer schemes are not going away. But airlines may have to reconsider how they allocate points if they are to continue winning corporate business.

■ **Airport lounges:** an essential perk, investigated. By **Gary Mead**

Crumbs of comfort for passengers

In the end, the business lounge is the icing on the cake, even for most business travellers

"I think thay are the most iniquitous form of class division, appealing to snobbish elitism. Unless, of course, someone pays for me to fly business class – then I love them," says a frequent business traveller. The executive lounge is one of the essential perks of business-class flying. You only knock it if you can't get it.

All that a business-class lounga does is return the weary traveller to an earlier time, when *oll* passengers could await their departure in peace, quiet and comfort. Now that air travel has become commonplace and airport departure areas a 24-hour acrum, the buainese-class lounge is, ideally, a haven for those able to pay the necessary premium.

A business-class ticket will not only give you fast-track facilities for checking in and departure – a feature now offered by many airlines – but it will also give the traveller a taste of comfort, even luxury.

Many auggest that Virgin Atlantic's Upper Class (Business Class) Clnbhouse at Heathrow's Terminal 3 is currently the acme of lounge lizardry, with a health spa (including massage, aromatherapy and hair-dressing if you fancy a spot of "pre-flight grooming"), an extensive library, a wood-panelled music room, games room, family room and everything that could be wished for if you actually wish to do some paperwork, rather than simply relax.

If you want to work on your putting, you can even be chauffeur-driven to Virgin's Heathrow clubhouse and stumble around a nine-bole golf course. Virgin has also opened the airlina's first clubhouse at J F Kennedy in New York, Terminal 1A.

Heathrow handles more business-class travellers than any other of the world's airports, with almost 50 per cent of the 46m or so passengers using Heathrow annually describing themselves as being on business. Inevitably, British Airways has also gone to town there in its efforts to spoil its business passengers.

BA's lounge pavilion has three lounges, the Concorde/first-class lounge (which comfortably seats 200), the Club World/Club Europe and the Executive Club lounges. Besides all the regular facilities – free newspapers, complimentary refreshments, work stations and telephones – passengers can take a shower. BA also has an arrivals lounge at Heathrow, offering similar facilities.

That type of service really sets the standard which you ought to expect from a leading international airline, at least at its headquarters terminal. The story when you travel with that airline to far-flung parts, however, can be all too sadly different.

Few airlines either can or will invest the *sort of* sums necessary to give the business traveller the same kind of lounge comforts across the globe. Many airlines end up sharing lounge facilities with one, two or even more other airlines – and tbe standards and space available for each individual passenger can be very disappointing.

If you are fortunate enough to be a Singapore Airlines business-class passenger departing from Singapore's Changi airport, you will enjoy spacious comfort, with all the regular refreshments, individnal ebower rooms, fax machines and telephones. Yet if you happen to be a business traveller leaving Changi with some of the world's *other* famous airlines, whose headquarters are elsewhere, your might wonder why you have paid a premium price for your fare, because the business lounge conditions can be uncomfortable, cramped and noisy.

In the US, such things are handled differently – more democratically, perhaps. US airlines are required by law to offer club membership to all travellers, and all the leading airlines are competitive on pricing. AmericanAirlines' Admirals Club membership costs $275 a year, for example, and that will give you access to 44 lounges around the world.

Virgin's Upper Class Clubhouse at Heathrow's Terminal 3 *Picture: Colin Beere*

Tha International Airlina Passengers' Association (Iapa) runs a scheme called Priority Pass, which, for $75 annually plus $21 a visit, opens the doors of about 80 different international lounges. Joining might be a sensible option if you are on a tight budget and cannot run to premium-priced airline tickets but spend a great deal of time travelling to airports where the ordinary cattle-shed airport facilities are spartan.

In tha end, tba businesa lounge is the icing on the cake, even for most business travellers, whose demands are rather more basic and more urgent – such as better in-flight service and conditions and timetables that mean wbst they say. Until those improvements arrive, an escape from the burly-burly into the relative tranquillity of a business lounge – or at least, those that aren't shared between half a dozen different airlines, packed down a ghostly corridor on the outskirts of the airport – is a crumb of comfort.

■ **Onboard entertainment:** How good is it? asks **Michael Skapinker**

First-class upgrades

Private cabins and other luxuries are on the way – for those who can afford to pay

Travellers on British Airways next year will no longer wait, hungry, for the sound of the meal trolley trundling down the aisle. They will be able to eat when they want, ordering from a seven-course *à la carte* menu.

They will eat in their own wood-panelled cabins, alone or with a companion. If they prefer, they can eat their meals tucked up in their 6ft 6in bed.

Those who have travelled in the cramped confines of BA's economy section may find this incredible – and they would be right. These services will be available only to first-class passengers, those who have no difficulty paying £4,188 for a return flight from London to New York or £7,050 for a trip from London to Sydney and back.

BA's first-class improvements do, however, represent an ideal that many airlines will try, in future years, to imitate: giving passengers greater choice and more control over bow they spend their travelling time.

Travellers at the back of the aircraft will always be less comfortable and more subject to the whims of aircraft routine than those at the front. But, in the realm of entertainment at least, all travellers should have greater choice and more control over what they want to watch, listen to or do.

Until recently, all travellers have been able to watch one film, shown on a screen at the front of tbeir section of the cabin. If the screen was at an awkward angle to their seats, too bad. If they had already seen the film, they could read a book or sleep instead.

Or, if they wisbed, they could listen to music on the beadphones that they sometimes received free but occasionally had to pay for. There was usually a choice of channels: classical music, rock music, old comedy radio programmes. They could not listen to the programmes from the beginning, unless they happened to tune in just when the airline began running the tape. Usually, they would pick the programme up somewhere in the middle.

Several airlines have installed screens for individual seats

For many air travellers, this is still the norm. On-board entertainment, bowever, is beginning to change. Several airlines have installed screens for each individual seat in first and business class. On United Airlines' new Boeing 777, there are individual television screens throughont the aircraft.

Entertainment offerings bave been expanded well beyond a single film. Passengers on Virgin Atlantic can watch any of 16 video channels or listen to music from 16 compact-disc audio channels. The airline serves ice cream while the films are being shown. Virgin also offers a children's channel and Nintendo games.

Several airlines plan to introduce interactive video screens on which passengers can play computer games or gamble. These will also function as mail-order services, allowing travellers to choose items from the screen, pay for them with their credit cards and bave them delivered to their homes.

BA is spending £80m on a new information and entertainment system, which will permit passengers to arrange the hire of s car while on board, completing the formalities before landing. When they arrive at their destination, they will be able to pick up the keys and drive off. They will be able to book hotels, look at maps of airports and see what time their onward flights are due to leave.

The BA system will allow passengers to choose from 24 film and entertainment channels. The difference is that they will be able to start and stop the films when they wish, rather than according to the airline's movie schedule. Some of the films and programmes will be free, but BA will require passengers to pay for others.

The airline plans to screen some new films before their general release in the UK. These would be offered on a pay-per-view basis. In future years, the airline will offer live television and radio broadcasts.

The games on offer on the BA screens will include chess, bridge and backgammon. Passengers will be able to play against the compnter or against their fellow passengers. They will also be able to gamble, playing roulette or blackjack or betting on the outcome of recorded horse races.

The screens will allow passengers to look at their own route maps. This facility is already available on some other airlines, but the BA system will go further. Passengers will be able to view scenes of the world outside, their individual screens being linked to cameras installed on the outside of the aircraft.

BA plans to install the new system by the end of 1996, fitting about 30,000 screens and control panels. The gambling and shopping facilities, in addition to onboard telephone and facsimile services, are expected to earn BA sufficient revenues to cover the cost of the system within a few years.

The system, supplied by BE Aerospace of Florida, does not rely on tapes, discs or cassettes. Movies and games are stored digitally in an onboard computer.

The drive to add variety and choice to passenger relaxation in flight extends to non-screen activities, too. In Virgin Atlantic's Upper Class, there is an onboard lounge and bar. On most flights, a beauty therapist is available to give neck and scalp massages and manicures.

All airlines recognise that passengers would like to choose when they eat, but there are few signs that restaurant-style service will be available outside first class.

■ **Duty-free:** Why airports are getting more like shopping malls By Neil Buckley

The retailers take off

BAA now makes more money from airport outlets than it does from aircraft fees

Business travellers walking round many international airports these days may be forgiven for forgetting thet they are in an airport at all, and imagining themselves instead in a shopping mall.

That impression might be heightened if they knew some of the statistics on airport retailing.

For example, a bottle of whisky is sold every seven seconds at London's Heathrow and Gatwick airports; airports account for more than 10 per cent of the British perfume market; the Mappin & Webb shop at Heathrow's Terminal 4 is the biggest-selling outlet of Rolex watches in the UK; and prodocts on sale range from chewing gum to a £72,000 diamond at Gassan Diamonds in Heathrow's Terminal 3.

Airport shopping has come a long way since W.H. Smith opened the first retail outlet at Heathrow in 1945 – and even since 10 years ago, when airport retailing was often confined to a duty-free shop, a gift shop or two, a newsagent and a restaurant.

Retailing at travel hubs – which include airports, railway and hus stations, and even hotel foyers – is one of the fastest-growing forma of this husiness. It is also an important part of the strategy of retailers, and of those running the travel hubs.

Mintel, the UK market research group, forecasts that the value of airport shopping in Britain will increase from £630m in 1994 to £730m this year, which would be an 87 per cent increase since 1990.

"We are seeing much faster growth in retail sales than in passenger numbers," says Mr Barry Gihson, gronp retail director of BAA, the privatised former British Airports Authority which controls 80 per cent of British airport shopping.

BAA now makes more money from retailing than from aircraft fees. Retail revenue has quadrupled in little over a decade, and last year increased 10 per cent to £513m – or 45 per cent of its £1.15bn total revennes.

The company has added 100,000 square feet of retail space at its seven UK airports in the past year, taking the total to 700,000sq ft – the equivalent of a medium-sized, out-of-town shopping centre – and plans to add a further 200,000sq ft over three years.

As well as expanding the shopping floorspace in its British airports, BAA is hoping to export its expertise, and is in the third year of a retail management contract at Pittsburgh airport in the US.

It has also utilised its knowledge of retail leasing and shopping-centre management in a partnership with McArthur/Glen, the US developer, to develop factory outlet centres – shopping centres which group together manufacturers' shops selling discounted goods – in the UK and France.

Airports in the US are cashing in on the shopptog opportunity. Denver International Airport, in Colorado, for example, is designed in a similar way to a shopping mall, with each concourse having a central core building with an atrium.

Denver has space for 112 retail tenants; and, as connecting trains pull in to airport concourses, the first thing passengers see is retail outlets.

The BAA-managed Pittsburgh airport has 100,000sq ft of retail space, and plans a further 15,000sq ft.

Travel bubs offer several advantages over traditional shopping areas. The first is very high and reasonably constant customer traffic, less prone to the peaks and troughs experienced at different times of the day on the high street.

Another advantage, particularly in the case of airports, is a semi-captive audience of travellers seeking to fill in time. They may be holiday-makers already in spending mood, or husiness travellers making last-minute purchases of forgotten necessities, or gifts for business contacts or family.

An added advantage for "airside" shops, beyond passport and customs controls, is exemption from valne added tax and axcise duty. That means alcoholic drinks can be up to 50 per cent cheaper than on the high street, while other goods may be 10 or 20 per cent cheaper.

For airlines, too, duty-free shopping is a very important source of revenue. Prices on board can be as good as those in the terminals, and sometimes hetter, although the choice is ohviously more limited.

The combination of high traffic and competitive prices enahles airport retailers to enjoy sales densities three or four times higher than typical high streets or shopping centres. At Heathrow, for example, average annual retail sales per square foot are £1,343.

A report last year by Corporate Intelligence Group, the retail research group, found that Bally, the shoe chain, and Laura Ashley, the clothing and furnishings group, enjoyed their highest sales per square foot of any UK outlets in their airport stores.

Some retailers are adapting their formats specially to airport environments. Harrods and Selfridges, for example, London's two best-known department stores, have both opened mini-hranches at Heathrow, selling their own and other top brands. Hamleys, the toy shop, and Liberty, the clothing and furnishings retailer famous for its distinctive fahrics, are other well-known stores that see significant opportunities in airport shops.

Others, such as Body Shop in the UK, or US chains Sunglass Hut and The Nature Co, have smaller store formats and product ranges that lend themselves to travel-hub retailing.

The main problem looming over the travel-hub shopping market is the scheduled ending, in June 1999, of duty and tax-free shopping allowances for passengers travelling within the European Union. The European Commission believes such shopping is a distortion of the single market.

Airports and retailers are lohhying hard for the allowances to remain, and succeeded in getting an extension from the original planned abolition date – with the advent of the single European market in 1993. BAA and various lobby groups, suppliers, ferry companies, airports and retailers, have formed the European Travel Research Foundation to try to persuade the Commission that abolition of duty-free would lead to joh losses and push up travel costs.

But far from putting them off expansion, the possibility that airport shops could lose their price advantage in 1999 is making airports more anxious to extend shopping areas.

The value of airport shopping in the UK will top £730m this year Picture: Lydie van der Meer

■ **Immunisation:** By Kate Bevan

How to avoid health hazards

The only way to be sure about risks abroad is to ask one of the specialist travel clinics

The list of ailments travellers can pick up sound like a horror film: plague, rabies, yellow fever. It is tempting to hightail it down to the doctor and have every jah going – and never mind the cost, it is on expenses anyway.

But business travellers are less likely to pick up horrible diseases on their trips than younger hackpackers. Although they may cover the same exotic ground, backpackers living on the cheap often do not have the benefits of safe tap water, clean restaurants and chlorinated swimming pools enjoyed by those whose companies are picking up the tab.

Nonetheless, no traveller, even those staying in five-star palaces, should be complacent. The answer is to plan ahead, say health professionals. The London Hospital for Tropical Diseases runs a clinic which will question inquirers about their plans and provide a detailed health hrief with recommendations for injections and other precautions.

Also useful for travellers planning ahead is the Medical Advisory Service for Travellers Abroad (Masta), a health database linked to British Airways' travel clinics – many doctors, including company medical officers, are hooked up to it. It will send travellers a detailed hrief including information on immunisations, news on local health issues such as malaria, and any Foreign Office advice on the country to be visited.

But what if you do not have time to plan ahead and have to go at short notice? What aboot all those things you are supposed to do in advance, such as take malaria pills?

You should check with a doctor about the battery of injections available. Some, such as tetanus and the unpleasant immunoglobulin jab for hepatitis A, are effective immediately. Others, such as typhoid and yellow fever, take 10 days or more to give full protection.

Check also whether the recommended jabs are actually needed. Is it a "just-in-case" injection or something to be avoided in favour of hasic hygiene precautions?

For example, if you tell the doctor you are going to China, he or she will reel off a list of nightmarish illnesses. However, if your trip to China is just two days in a five-star Beijing hotel, your chances of catching some of the exotic nasties are more limited and some of the jabs can be skipped. But if the itinerary tocludes travel in rural areas the risk is greater. The only way to be sure is to ask one of the specialist travel clinics.

While you can be relaxed about some health risks, there are others that require serious attention. Take no chances with malaria, which is a widespread killer. Dr Paul Clarke, of the British Airways travel clinics, stresses the seriousness of this disease and other mosquito-borne diseases such as dengue fsver. The best defence is not to be bitten, he says. That means taking every precaution in the book, including sleeping under a net – even though they are hot – and using effective repellents – even if the toxic smell clashes with the duty-free aftershave or perfume.

For travel in a malaria region take the recommended preventive drugs – which often do not have to he started weeks in advance, as Dr Clarke explains. "Most anti-malaria prophylactics work at the end of the incubation period," he says. "Once the parasite gets into your hloodstream, it multiplies 10 to 28 days later, and then causes symptoms, so taking pills a long time before you go makes no difference." The reason doctors recommend an early start for the pills, he says, is so that any side-effects have a chance to show up before departure.

Hopes this year for a vaccine to prevent malaria were dashed when trials in Tanzania proved unsuccessful.

Another very serious risk is HIV infection. Travellers from the UK or US where HIV infection between heterosexuals is rare and where blood supplies are safe may be tempted into complacency.

However, health professionals stress that no traveller can be too careful. That means not only using condoms, but also heing aware of the risks of infected hlood and needles in case of an accident. "I would not like to have a blood transfusion in Burma or Thailand," says Dr Clarke, where the incidence of HIV is rising. He also warns that health professionals expect an explosion of cases in the Indian subcontinent.

It makes sense to carry a medical kit containing needles for sutures and injections. The Tropical Diseases hospital sells first aid kits containing needles, and Dr Clarke also suggests joining the Blood Care Foundation via Masta, a charity which can ship safe blood anywhere in the world for a cost of £5 for a month or an annual fee of £35.

Medical kits could also include sleeping pills, rehydration salts, iodine for sterilising water, and remedies for stomach ailments from constipation to diarrhoea.

In fact, diarrhoea is the ailment most likely to occur on a business trip, and is often a result of complacency. Just because you are staying in a five-star hotel does not mean shellfish and salad may be eaten with impunity. Travellers should be especially wary of a buffet – food left out for any length of time is a haven for bacteria which can make your life very unpleasant.

And even in hotels, do not assume the water is drinkable – for example, tap water should be avoided in Jakarta. The rule of thumb for water or food is: if in doubt, don't. And be careful even with apparently safe things such as bottled water. Check the seal, especially if it has been bought from a street vendor. It could contain tap water teeming with bacteria.

But while you should have a more heightened awareness of the risks than at home, try not to let health paranoia blight the trip.

■ Masta travellers' health line: 0891 224100. Calls are charged at 39p a minute cheap rate and 49p a minute at all other times. For the nearest British Airways travel clinic telephone 0800 600000. The Hospital for Tropical Diseases also has a travel clinic: telephone 0171 388 9600.

■ **Computer reservation systems:** These are now ubiquitous in the US and western Europe. By **Michael Skapinker**

Keyed up for more information

The Internet has raised the prospect of travellers making their bookings directly

American Airlines' control centre at Arlington, Texas, manages 4,000 daily flights *Picture: Olga Genin*

In a reinforced concrete underground bunker in Tulsa, Oklahoma, is the world's largest privately-owned database. The system belongs to Sabre, part of AMR, which also owns American Airlines.

Sabre was the pioneer in the development of computerised reservation systems, which provide the means whereby travel agents sell everything from airline tickets to hotel rooms to car hire. Computerised reservation systems (CRSs) are now ubiquitous in the US and western Europe. According to a recent study by the Economist Intelligence Unit, 96 per cent of travel agents in the US and 85 per cent of agents in France use computer reservation terminals.

The leading CRS providers are battling to increase their worldwide presence. Earlier this year, Amadeus – the CRS owned by Air France, Lufthansa of Germany and Iberia of Spain – acquired the reservation system of Continental Airlines of the US. The acquisition extended Amadeus's reach into north and central America from its base in Europe and South America.

In August, AMR acquired a 25 per cent stake in Access International Network, a subsidiary of Japan Airlines (JAL). The deal substantially extended Sabre's reach into Japan, where JAL has about 50 per cent of the market for CRS terminals.

The CRSs have provided travel agents with huge quantities of information, enabling them to extend the range of services offered to customers. Now, however, the availability of such large amounts of information in computerised form has led some to wonder whether airlines, hotels and other providers could gain access to consumers directly, allowing them to make their reservations without the involvement of travel agents.

Such a trend would run counter to the development of the CRS business from its origins in the early 1960s. Sabre, an acronym for Semi-Automated Business Research Environment, began in Briarcliff Manor, New York, in 1962 as a reservations system for American Airlines. In the mid-1970s, Sabre began to appear in travel agents' shops.

Today, Sabre is in 28,000 travel agencies in 74 countries. It carries the schedules of 729 airlines and details of more than 28,000 hotels and 55 car rental companies. Galileo International, the CRS owned by a group of airlines, including Air Canada, Alitalia, British Airways, United Airlines and USAir, says it has more than 120,000 terminals in more than 36,000 travel agencies around the world. Amadeus, enlarged by the acquisition of Continental's network, is in 33,000 travel agency outlets.

While boasting of how many travel agents carry their terminals, however, the airlines which own the CRS operations have recently been attempting to limit the role of agents. In an attempt to cut their distribution costs, US carriers, led by Delta Air Lines, have placed limits on the amount of commission they are prepared to pay travel agents for each ticket sold.

The US airlines are continuing to pay agents the traditional 10 per cent commission, but only up to a maximum of $25 for a domestic one-way ticket costing more than $250. There is a cap of $50 on a round-trip domestic ticket costing more than $500.

The growth of the Internet has raised the prospect of travellers making their bookings directly from a personal computer at home or in the office. Schedules and details from Virgin Atlantic airlines, American Airlines and Alamo Rent A Car can now be found on the Internet.

Holiday Inn, the Atlanta-based hotel company, has gone further, accepting reservations on the Internet. So has Hyatt Hotels, which announced last November that guests would be able to book rooms at 103 Hyatt hotels in the US and Canada. Personal computer users could already request details of Hyatt rooms, restaurants and leisure facilities over the Internet, and even view colour photographs of the rooms.

The CRS operators have also begun to offer their products on the Internet. In the US, Internet users can gain access to Sabre, booking flights, hotels or car rental from home as if they were travel agents.

Will the computerised information which has been such a boon to the travel agent bring about its demise? José Antonio Tazón, president and chief executive of Amadeus, thinks not.

In a recent speech in Washington DC, Mr Tazón said: "We are convinced that for the next few years, let's say in 2000, the travel agency will continue to be the most used distribution channel in the industry."

He added: "The ongoing discussion about the technological revolution that will, supposedly, change our business beyond recognition, seems to ignore today's commercial structure and reality. It is a fact that existing distribution channels, while challenged by the advent of new technologies, are not declining.

"In global market terms, we are registering a healthy double-digit rate of growth in the volume of travel agency business conducted through CRSs. Even in our most developed markets, this growth is still around 3 to 5 per cent. It is difficult to see the importance of this infrastructure diminishing substantially over the medium term.

"The fact is that statistics today simply do not yet provide any evidence of the revolution that we are supposedly experiencing in the area of distribution."

Mr Tazón said, however, that the travel distribution business would have to change if it was to make best use of the information available from CRS providers. Most industries, he said, have clearly segmented businesses providing for different parts of the market.

Travel agents, for the most part, are an undifferentiated provider, offering products from both ends of the range. Travel agents often use the same infrastructure, people and methods to sell a $59 airline ticket as they do to sell a $4,000 luxury cruise.

Travel agents, Mr Tazón said, would have to become more proficient at targeting particular products to different segments of the markets.

It is the CRSs, of course, which have made such a vast array of products available to the travel agents. Mr Tazón believes their growth by merger is over. Rather than looking for other CRS operators to acquire, the existing systems will instead seek out parts of the world in which they have not yet established themselves.

■ **Air miles:** BA is trying to promote loyalty. By **Michael Skapinker**

Join the club and earn valuable rewards

Many regular travellers, whose commitment goes back to BOAC, are feeling resentful

The editorial in the September issue of the UK-based Executive Travel magazine said nothing bad ever upset its readers as much as British Airways' decision not to give frequent-flyer points to customers who buy discounted tickets.

"Emotions spill across our letters pages," the magazine said, "ranging from the surprise of readers who have flown the airline since it was BOAC and cannot believe their loyalty is of no consequence, to the angry, who have voted with their feet and are picking up bonus miles with the opposition."

Air miles, frequent-flyer points and membership of clubs are all emotional issues for regular business travellers. The pleasures of travel are overrated by those who never get the opportunity to leave the office. The realities of travelling for the company include lonely hotel rooms, homesickness and much-resented time away from families.

The compensations come in the accumulation of points, which provide greater comfort while travelling, and of air miles, which can be used to fly for pleasure to a destination of the traveller's choice rather than to one of the employer's. Win enough air miles, and the much-neglected family can fly somewhere pleasant too.

BA's frequent travellers, who decide to join the airline's Executive Club, begin with the colour Blue. If they fly often enough they move on to Silver. This allows them to use 180 airport lounges around the world, some of which are shared with USAir and Qantas of Australia. If they fly further with BA, they move on to Gold, and the right to use first class lounges.

Frequent business travellers regard the accumulation of points and the rewards that go with them as a right – the just reward for their loyalty to a particular airline and the discomfort they have experienced flying on it. Airlines see their schemes as a way of keeping their customers loyal. They would also like to see them spending more, rather than less, on their tickets.

BA has tried to put these two principles – promoting both loyalty and the sale of full-price tickets – together. From November, travellers flying at a discount will not be able to enjoy the rewards of being regarded as one of the airline's most loyal customers. The travellers affected have received personal letters explaining the change.

> Win enough air miles, and the family can fly somewhere pleasant too

Mary Thomas, BA's brand development manager for its Executive Club, says: "Under the old scheme, we were under-rewarding first and Club class tickets and over-rewarding discounted tickets. Our lounges are bursting at the seams. It's a question of redressing the balance. The aim is to reward high-yielding travellers, but people on discount tickets were enjoying the benefits."

The changes coincide with a relaunch of BA's first and business class services. First-class passengers are to be accommodated in individual wood-panelled cubicles with seats which extend to become 6ft 6in beds. First-class passengers will be able to order their meals when they wish, rather than at set times.

In Club, or business, class, the airline has introduced a more comfortable seat and a larder from which passengers can get fruit, chocolate and other snacks.

BA believes the new allocation of frequent-flyer points will not put it at a disadvantage in the market-place.

Executive Travel magazine disagrees. It says: "Perhaps our flag carrier, which has become a worthy and profitable concern since privatisation, and offers the highest standards of service in a range of environments, has under-estimated the strength of feeling out there."

However, Mr Mike Riddle, manager of the Guild of Business Travel Agents, says his association's members do not seem particularly concerned about the BA changes. He says: "If it had been a burning issue, it's something we would have taken up with BA. But it's not been a burning issue as far as the Guild is concerned."

Randy Petersen, editor of InsideFlyer, a publication for frequent flyers, says that by limiting its rewards to passengers paying full fares, BA at least ensures it can offer what it promises.

In an editorial on the subject this summer, he said: "They will be able to consistently deliver the service benefits they promise members, something that most of the larger carriers are having a problem doing.

"As a frequent traveller who often travels at a discounted fare, I've been spoiled by programmes that have convinced me that that these schemes are for 'frequent' flyers. I'm going to guess that if you are a frequent flyer who travels at less than full-fare rates, you might be looking elsewhere for a programme. That is, of course, unless you value service more than free flights."

■ **Currencies:** Credit cards can have advantages over cash. By **Philip Gawith**

'Good old dollar' is safest

The less developed the country you need to visit, the more potential for some mishap

One of the great apocryphal tales of foreign travel concerns the German visitor who managed to persuade a small-town US bank to convert, at face value, a DM1bn note dating back to the Weimar era when Germany was in the grip of hyper-inflation.

Most travellers, alas, are obliged to change money on less lucrative terms. Indeed, for many, foreign travel is inextricably linked with a vague, though sometimes very tangible, sense of exploitation.

When it comes to changing money, or paying bills, in foreign countries, the list of appalling mishaps is so long and varied as to defy too many generalisations about how to take suitable precautions.

Clearly, the less developed the country you visit, the more potential for mishap. That said, it is quite possible to run into trouble in the most sophisticated places. Many UK-based travellers have encountered difficulties in countries such as Germany, France and Italy, while the US is not exempt either.

Nowadays, much business travel is financed through the issue of corporate credit cards. Research conducted by American Express Europe shows that 73 per cent of British companies provide their employees with some form of corporate card on the company's account, with multi-purpose cards provided by 55 per cent of companies.

What is the advice of the professionals? Mr David Thomas, vice-president of Travel Management Services, UK and Ireland, for American Express, says credit cards tend to be cheaper than cash or travellers cheques, because of the benefits that can be passed on to customers by bulk buying of foreign exchange. Cards and travellers cheques also have obvious safety advantages. "If you lose currency, then its lost. There is no way you can replace it," he says.

As for getting the best rate when you are changing travellers cheques, or cash, the advice of Mr Mark Gardnar, responsible for corporate card marketing at Diners Club, Europe, is to stick to the main commercial banks in the destination country. Hotels and *bureaux de change* tend to charge more onerous rates. But if you are going to use travellers cheques, remember that it is easier to change small-denomination bills, especially in shops.

That is the theory. In practice, of course, things can get more complicated. It is commonplace, for example, that most US-based retail banks (a global bank like Citibank would be an exception) tend to be less adept than their European equivalents in matters of foreign exchange, foreign travel being less part of their regular activities.

Changing currency at a machine in Italy *Picture: Sarah Murray*

The safest advice is to take only dollars to the US. And if you take travellers cheques, remember that banks (as opposed to shops) can be quite sticky about cashing them, sometimes requiring two items of identification, or limiting the amount that can be cashed.

In Germany, where a cash and cheque culture still predominates, many travellers have encountered problems trying to use credit cards. One visitor, who made the mistake of relying on credit cards for payments, tells the story of having to keep crossing into Austria for dinner and petrol! Another traveller advises that, for petrol, supermarkets and restaurants, you mostly require cash, while eurocheques will suffice in some cases.

On the subject of eurocheques, travellers to both France and Italy (Paris and Bologna, to be precise) have had great difficulty in getting them recognised or accepted.

Two other points can be made about France. The fee for changing travellers cheques is often a hefty FFr30 ($6), so it is probably better to rely on cash cards.

Second, although regular credit cards will get most business done in Paris, do not be wholly reliant on them. France has switched over to smartcards, with chips and pin numbers, and non-chip credit cards may be refused in some establishments.

In general, though, credit cards will normally suffice in western Europe, and will often serve as a source of cash, too, when used in automated telling machines.

Eastern Europe, however, is a much more complicated proposition, with many countries still in the transitional phase to a market economy and fully convertible exchange rates.

Travellers cheques, for example, can still be a problem, with some banks either refusing to change them, or making the process exceptionally time-consuming.

And if you use a credit card in countries where there is both an official and a market rate, you will be charged at the official rate, which can involved paying up to 20 per cent over the market rate.

There are also large differences between the countries. While it is safe to change money in the streets in Albania, on no account do so in Romania, because of the risk of being handed fake money. The mere act of singling yourself out as holding foreign currency makes you a more likely victim of crime.

Old hands say that the dollar and D-Mark reign supreme in eastern Europe. Don't bother with sterling or French francs. But because pick-pocketing is rife, try not to carry too much money. It may be that you will have to start acquainting yourself with the hotel safe.

Africa is another challenging destination, though life there is also getting easier. While credit cards are accepted in countries such as Nigeria, seasoned travellers caution that there is so much fraud that you should be wary about bandying around your credit card number.

Travellers cheques can be useful, though Nigerian banks have been known to refuse them, saying they take a week to cash. In tha words of one visitor: "What you really want is a negotiable instrument, and it is the good old US dollar."

Travellers are advised that $1 bills are very useful for small purchases – for example, in airports – while larger denominations are useful for emergencies.

■ **Rail services:** a growing challenge to airlines. By Charles Batchelor

Letting the train take the strain

Travel by rail allows travellers more time for work or rest and greater comfort

High-speed train services are starting to pose a challenge to airlines on the routes where they are being introduced in Europe. At present, the high-speed network is limited in scope but it will capture a growing share of airline business as it expands.

Eurostar trains through the Channel tunnel have carried 2m passengers since services began last November and they expect to grab 50 per cent of the market dominated by the airlines by early 1996.

Air passenger numbers between London and Paris and London and Brussels dropped for the first time last February on a year-on-year comparison. in recent months, passenger numbers have been between 10 and 15 per cent lower on the London-Paris route and 7 to 9 per cent lower on London-Brussels, according to the Civil Aviation Authority.

In other markats, sucb as France and Japan, whare high-speed trains have been introduced against established airline competition they have typically taken 80 per cent of total traffic.

The airlines' response to this challenge has heen surprisingly muted – unlike that of the ferries which have spent millions of pounds and several years preparing for the start of the car and truck shuttle service through the Channel tunnel. But the airlines are now beginning to waka up and have begun lobhying for a cut in the investment and operating subsidies given to the railways' high-speed networks.

They have also started to put on smaller aircraft to cut costs while at the same time maintaining service frequency, said Mr Alan Coles, UK vice-president for business traval at American Express.

Congestion on the ground at many European airports and in the air makes rail a more attractive option for many buainess travellers over medium distances – usually involving total travel time of two to three hours including one hour in the air.

The increase in regional air traffic whicb has occurred in recent years has led to a worsening of delays at the larger "hub" airports. The complexity of air traffic control in Europe, with more than 40 national and regional systems in operation, contributes to the delays.

Until high-speed rail travel was introduced, the traveller could do little but put up with the inconvenience of going by air. But the introduction of high-speed trains in France, Spain, Italy and Sweden has broadened choice.

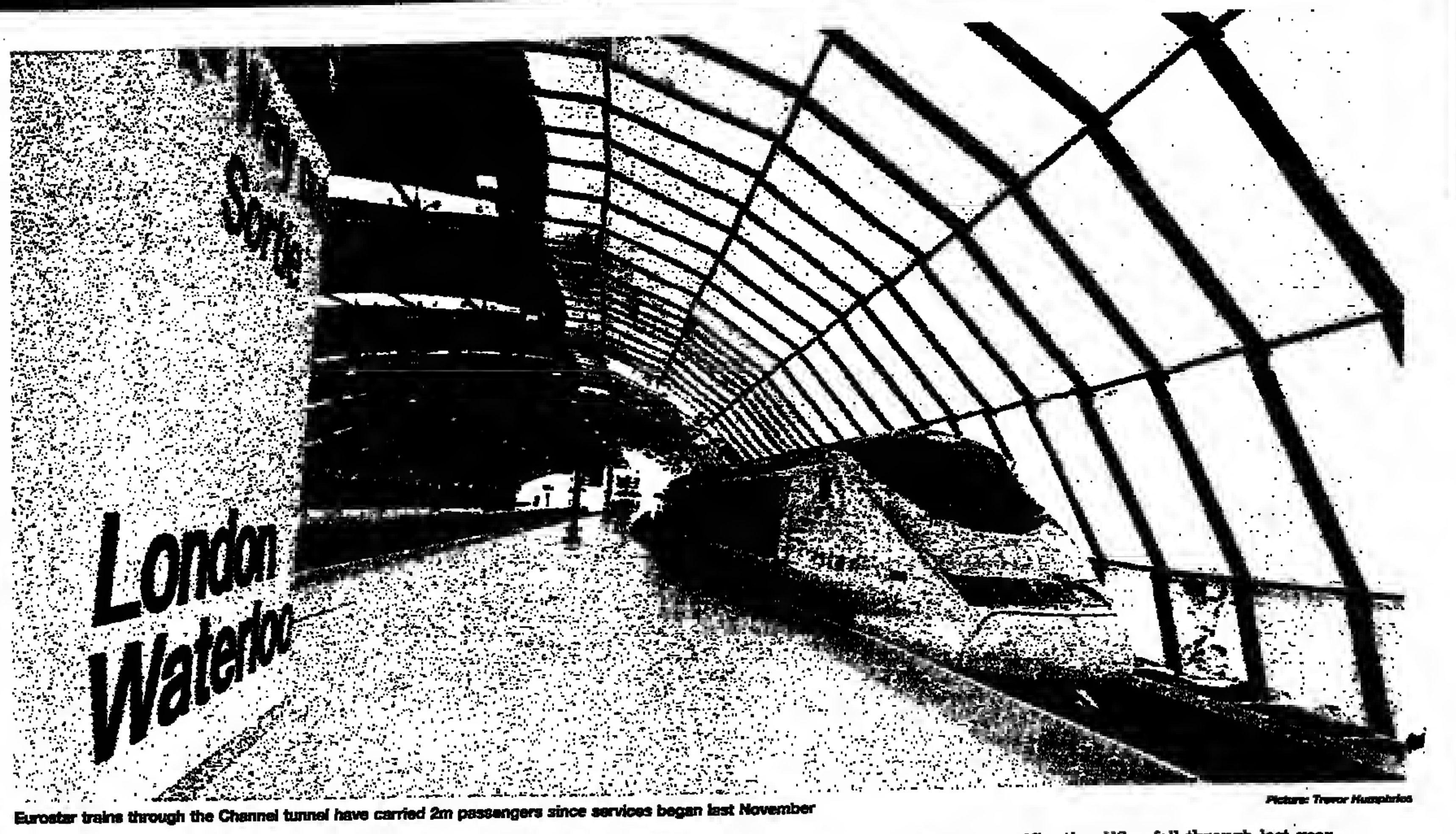
Apart from offering comparable or even faster speeds, train travel allows more time for work or rest – in a single chunk rather than broken up by waits at check-in, before take-off and in-flight – and greater comfort. Train travel is not immune to the effects of bad weather, but it is less vulnerable than aircraft to winter delays hecause of snow and fog.

When Eurostar aervices began between London, Paris and Brussels, departures were limited and did not provide the flexibility required by the business traveller. But now there are 10 daily departures in each direction between London and Paris and six between London and Brussels.

A further London-Paris service will be added later this month to give at least an hourly frequency during the morning and evening business periods, while an early-morning departure to Paris, arriving before 10.30am will start in January.

European Passenger Services (EPS), the UK partner in Eurostar together with the French and Belgian railwaya, raised the first class return fare to £220 from £195 last month on the grounds of increased frequency and improvements to the service generally. This is still considerably less than the comparable full-price Cluh air fare of £330 to Paris and £316 to Brussels.

in France, SNCF is expanding its high-speed network from the original line between Paris and Lyons. Specialised track has now been built from the capital to Tours and Le Mans, to the south-west and north via Lille to the Channel tunnel entrance. The route to the south has been extended beyond Lyons to near Valence while the opening of an eastern loop around Paris has reduced north-south journey times. Lille to Valence is now just three bours and further extensions to the Mediterranean coast are being planned.



Eurostar trains through the Channel tunnel have carried 2m passengers since services began last November

Picture: Trevor Humphries

Spain'a first high-speed line betwean Madrid and Seville took 44 per cent of the market in its first year. Air's share of the market between the two cities fell to 7 per cent from 18 per cent. The reduction in travel times was considerable, from 5 hours and 55 minntes by conventional train to 2 hours and 40 minutes by AVE high-speed train. New higb-speed routes are now planned to Barcelona and the French border and to Valencia.

Germany inaugurated its high-speed train era in 1991 witb a 250kph inter-city express (ICE) service between Hamburg and Munich and has since been extending services over newly-built and modernised track.

Bot long before high-speed travel made its appearance, Lufthansa, the German airline, had acknowledged the convenience of train travel. It introduced a rail service over the 150 miles between Frankfurt and Düsseldorf to supplement its flight timetable.

Europeans are now taking enthusiastically to high-speed trains but the inventors of this form of travel were the Japanese, who put the first of their *shinkansen* or bullet trains into service in 1964. The introduction of jet aircraft in the 1960s gave Japan's high-speed trains tough competition in their early years hut they huilt up passenger numbers on both the longer and the shorter journeys.

Many of Japan's busier airports are now approaching maximum capacity and further expansion faces environmental constraints. New investment is going into faster rail lines and existing rontes are being extended. The Tohoku line north from Tokyo is being extended from Morioka to Aomori while the Tokaido line which stops at Fukuoka is to go on to Kagoshima.

Meanwhile, in South Korea work has begun on a 430km high-speed link between Seoul and Pusan.

Across the Pacific the US shows tha greatest potential for developing high-peed routes. Numerous proposala have been drawn up for regional high-speed rail systems in the north west, California, around Denver and between Chicago and the east coast.

But the popularity of car travel and the efficiency of the inter-state road network for shorter journeys and the cheapness of air travel on longer routes has put the squeeze on rail.

Plans to finance a Texas TGV system, linking Houston, San Antonio and Dallas-Forth Worth, in the private sector fell through last year.

A problem in the US is the fact that most of the railway network is owned by freight companies which give priority to their own services and do not operate their track to meet the needa of high-speed expresses.

Pressure on the finances of Amtrak, the publicly-inanced passenger train operator, has led to service cuts, though federal funds have been allocated to the states and local agencies to plan new high speed networks.

High-peed rail travel may yet make an impact in the US as it already has in Europe and the Far East.

■ **Car rental in the US:** By Richard Tomkins

Hire charges are rising

Hertz has set the pace in the US with an increase in rental of $5 a day across the board

To listen to the big car rental companies, people who hire cars have had it too good, too long in the US. Now, rental rates are on the way up and, this time, the industry is hoping the increases will stick.

If they do, it will make a change. Time after time over the past three years, US car rental companies have tried to push rates np. But on each occasion, companies have yielded to the fiercely competitive conditions in the car rental market and cut prices again.

This was good news for business travellers, who benefited from some of the lowest car rental rates in the world. But it was bad news for the industry. Car rental companies bemoaned the fact that vehicle costs had more than donbled over the past three years while rates had stood still.

That changed in July when Hertz announced that it was increasing rental rates by $5 a day across the board – a rise of 12.5 per cent on a typical rate of $40 a day for a medium-size car. Since then, other big car rental companies have followed Hertz's example, and, so far, there has been no turning back.

Still, the story may not end there. Only a few weeks before Hertz announced the $5-a-day increase, another of the big US operators, Alamo Rent A Car, had tried to raise prices through an alternative approach: reintroducing mileage fees, a feature that had almost completely disappeared from the US car rental market years earlier. Under the Alamo system, motorists were allowed to drive up to 100 miles a day for a flat daily fee, but every mile beyond that was charged at the rate of 25 cents a mile.

Other car rental companies started to follow Alamo's move by introducing similar mileage fees – only to find that Alamo had suspended its experiment. At that point, all the other car companies dropped the mileage caps, too, and charges reverted to their previous level.

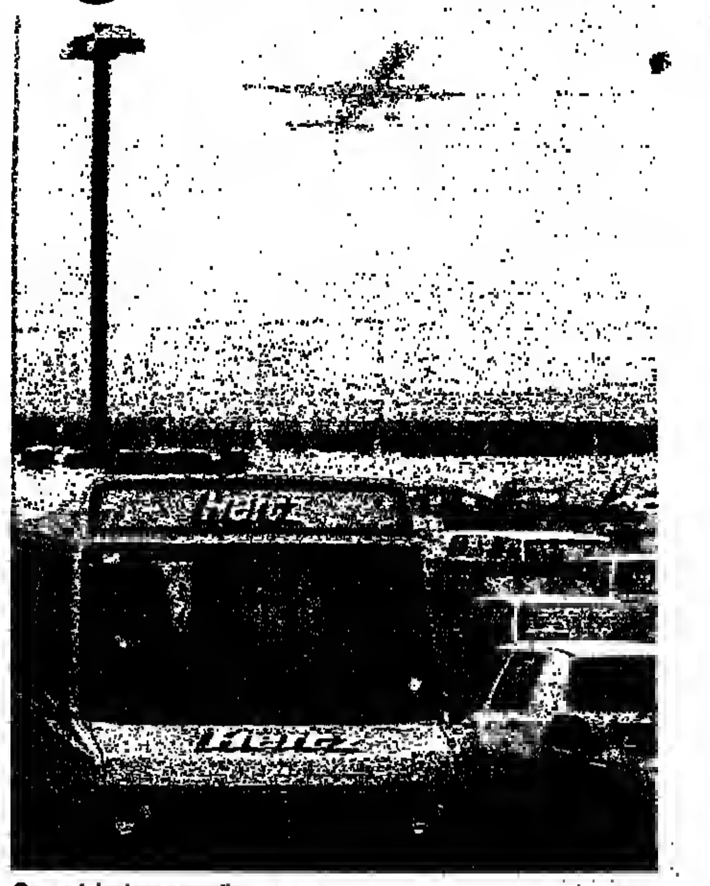
That short saga was merely the latest example in a long list of price increases that had failed. Previous attempts were made in September 1994, February 1994, September 1993 and September 1992. But in each case, the increases ware reversed.

Maanwhile, vebicle costs have risen sharply. According to Hertz, they have grown at a compound rate of 30 per cent a year over tha past three years, mainly because of changes in the relationship between the car manufacturers and the rental companies.

During the 1989-1992 recession, when the car manufacturers were suffering from poor retail sales, they offered the rental companies big cash incentives to renew their vehicle fleets. But in 1992, as retail demand picked up, those fleet purchase incentives were cut, sbarply increasing the rental companies' costs.

A further blow came the following year when the car manufacturers, wbo traditionally buy back their vehicles from tha rental companies when they reach a certain mileage, started cutting the prices they were prepared to pay. And last year, the screw was tightened further still when US interest rates began to rise.

Although rental companies tried to respond with price increases, their efforts were undermined by overcapacity in the industry. Rental companies with cars sitting unused in the parking lot calculated that it was better to rent them ont at a low rate than not to rent them at all.



Car rental rates are on the way up

Picture: Colin Beere

Unfortunately, this failed to create much extra demand because most rented cars in the US are hired at the end of aircraft journeys. This means that the amount of travel is largely dictated by air fares and the amount of airline travel rather than independent pricing actions on the part of car rental companies.

Three years of mutual throat-cutting seemed to have come to an end with this year's attempt to reintroduce mileage fees. But according to Mr Joe Russo, Hertz's vice-president for government and public affairs, the mileage caps were not particularly popular with customers.

in one sense, this may seem surprising. After all, as Budget Rent A Car points out, the average daily mileage on a rented car is only 90 miles, so only a minority of drivers faced a surcharge.

"We still think it was to the customer's advantage," Budget says. "It was more equitable because it meant someone driving 25 miles a day paid a lower rate than someone driving 250 miles a day." in fact, Budget is retaining the mileage-based fee as an option for customers who prefer it.

But Hertz's Mr Russo says most consumers seem to have a strong aversion to mileage fees, particularly leisure travellers. "It'a a bit like putting a collar and a leash on someone – telling them they're free to travel, but not to go too far."

Mr Russo thinks an increase in the flat rate fee may prove more palatable to consumers because it lacks the psychological impact of mileage fees. And after three years of static prices, car rentals will remain a relatively cheap part of the overall trevel package even after the price increases, he says.

But will they stick? That is the hard question. According to Mr Russo Alamo, Avis and Budget are all heading for losses this year, so they are under pressure to keep prices up. "This move has not yet hrought prices in line with costs, so logically, one could expect prices to rise even higher." Mr Russo says.

In his view, "car rental companies are now looking at the discrepancies hetween thair fleet costs and their prices, and they are realising that there is no more room to cut costs. They may still attempt that, hut you can't make cost cuts big enough to compensate for the aize of the increases we have seen in fleet costs".

■ **Hotels:** proprietors are smiling again, says Scheherazade Daneshkhu

Accommodating the views of guests

There is more choice for customers especially at the budget end of the market

A smile is back on the faces of many hoteliers. The hotel business, particularly in Europe, made a good recovery last year and is expected to have an even better time this year. In London, average room occupancy was 80 per cent in 1994, its highest for almost a decade, according to Pannell Kerr Forster, the hotel consultant. Occupancy this year is expected to increase by at least another 5 per cent.

This is both good and bad news for the business traveller. The bad news is that, with the increase in demand, hotels are commanding higher room rates, making travel more expensive for companies. One travel agent reported that some hotel companies are breaking deals negotiated before the upswing in travel because they know they can sell their rooms at higher rates, if necessary, to other customers.

The good news, however, is that, in the expanding hotel market, there is more choice for customers especially at the budget end of the market, while stiff competition has led hotels to increase their range and quality of services to business travellers.

Choice International, one of the largest franchise groups, is pushing into Asia, the Middle East and South America with brand names which include Comfort, Quality Inn and Sleep Inn. Mr Don Landry, president, says that the budget Sleep Inn is the ideal product for Europe. Rooms are larger than the average size in Europe with custom-made furniture, brass and chrome fittings and power outlets at desk height.

Forte, the UK company, is expanding its successful Travelodge budget brand into the rest of Europe while Accor, the French company, which is overhauling its Novotel three-star hotels, is increasing their numbers in Europe and Asia.

Mr Geoffrey Breeze, corporate vice-president for marketing, at Hilton International, says that although budget hotels are taking their business from somewhere, it is not from Hilton. Nevertheless, "as a broader range of budget hotels becomes available, those who choose first-class hotels base that choice on pragmatic factors. For example, in our most recent research into why people choose our hotels, availability of office equipment has overtaken reasons such as relaxation or prestige and status."

Mr Jim Evans, senior vice-president of sales and marketing at Hyatt Hotels Corporation, agrees that business travellers have become more cost-conscious and that change is reflected in the services hotels provide.

"In the old days hoteliers tried to win business by adding more glitz, glamour and goodies – if the guy down the street put three mints on the pillow, we would add three more to our turndown," said Mr Evans. "Today, first-class service in a business hotel is synonymous with assistance in getting the job done more efficiently and cost-effectively, honouring requests with a smile and correcting problems quickly."

Mr Evans says that people increasingly want alternatives. While they will eat a full breakfast or dinner on some days, on others, they want a quick coffee and bread roll or a snack before bed. Irons and ironing boards have been put into guests' rooms because "sometimes, our guests told us they just want to iron their own shirts. We are not taking away service; we're just giving customers options. That is why we've added automated check-ins and convenience stores and coffee kiosks. At the same time, we have kept traditional services like Regency Club and full service restaurants."

The Four Seasons Regent group also emphasises the importance of flexible services. Since travellers' plans can change at short notice, it has extended the role of the concierge to act as a personal assistant.

On a typical day, a concierge at the London Four Seasons hotel will be asked to alter 25 flights in addition to hotel and car hire requests. Mr John Strauss, general manager of Four Seasons in London says that computer literacy is now fundamental to the concierge's role. "If a report needs to be prepared by a guest, our concierge can organise for it to be prepared on the word processor, have it spell-checked, formatted, printed and bound."

The group operates a "No Luggage Required" proposition under which the concierge is responsible for buying or replacing essential items if the traveller needs them. Mr David Crowl, vice-president of sales for Four Seasons and Regent, says that the group has also put home cooking dishes on some of its menus, in addition to lower calorie alternative meals in response to requests from frequent travellers tired of eating restaurant food.

Demand for executive floors has also increased, according to Mr Breeze. Hilton brought in executive floors in the 1970s and about 72 of its 160 hotels now have them. Forte has recently introduced executive floors in some of its hotels because of their growing popularity.

Mr Breeze says that rooms on the executive floor sell out more quickly than others to the extent that the group could double the number of its executive floors and still fill them. "Executive floors are a significant operational change so while we are expanding them, we are doing so where we think the demand can be sustained."

Although staying on an executive floor costs about $20-$50 dollars more than comparable rooms, breakfast is free, as are snacks and drinks in the clubrooms. Check-in is faster since it is done on the floor rather than at main reception. The club rooms, which are in 90 per cent of Hilton internationals with executive floors, are stocked with local directories and newspapers. Some club rooms will have small meeting facilities.

Technology is also allowing hotels to provide quicker services to customers. At Forte's three-star Posthouse hotels, guests do not have to check their bills publicly at reception. Mr Peter Stephenson, managing director of Forte Posthouse, says that the hotel's research showed that an efficient check-in and check-out were vital to guests. The hotels have interactive televisions in all the bedrooms which give access to a range of services they would usually have to arrange on the telephone. These include an automatic message service; implementing your own wake-up call and placing food orders. The bill can be called up and checked on screen and next year guests will be able to settle their bills in their rooms through a credit card swipe at the side of the TV.

Le Meridien in London: hotel occupancy in the UK capital this year is expected to increase by at least 5 per cent *Picture: Lydia van der Meer*

■ **Keeping in touch:** By Gary Mead

Card tricks for callers help cut costs

The hotel telephone with all its extra charges can now be outmanoeuvred

One of the biggest heartaches of travel, business or otherwise, is leaving loved ones behind. Staying in touch with them by telephone – and not paying hideously for the service – is a vital element of the trip. Before you go, it's worthwhile having a look at a useful book on this whole area. Called *The Good Telecoms Guide**, it is a comprehensive guide to the UK telecoms scene for domestic users and businesses.

For UK travellers there is now a host of companies vying for your telecommunications custom, all of them attacking that peril of the unwary traveller, the hotel telephone. For many hoteliers, the telephone is not a simple machine for making contact, but a device to prise open your wallet. There is only one recommendation: try to avoid them. Some hotel chains, however, such as Marriott, Novotel and others, are now actively promoting the ATT calling card.

Calling cards, such as ATT's, are perhaps the simplest way of avoiding unnecessary cost. To use such cards, you normally make a connection by entering the local country access code, followed by the card number – sometimes (depending on which company's card you have) a personal PIN number – and then the telephone number of the person you are calling.

An international telephone charge card permits you to dial straight into the international network. With BT or Mercury's card, you pay for your overseas calls made this way through your usual quarterly bill; US companies generally are charged to your credit card account. The independent UK operator Interglobe charges in the same way. Most such cards come free, and some provide better value in different parts of the world than others.

The range of calling cards is wide, and the competition is getting fiercer. Companies supplying such a service include Interglobe, Sprint, MCI and Telcor. British Midland, the UK's second largest scheduled service airline, teamed up last year with World Telecom, a UK-based telephone operator, to issue the BM Global Calling Card, which, it claims, can be up to 50 per cent cheaper than its rivals. World Telecom recently unified its call rates within western Europe and the US, and ended charges for operator calls.

International callers can now keep in touch while flying

Under World Telecom's new tariff, calls to and from any continental west European cities cost a flat rate of 89p a minute or £4.45 for five minutes, while calls back to the UK from Europe cost a flat 67p a minute and £3.35 for five minutes. Calls within the US will cost 33p or £1.65, and calls to the UK from the US are 54p or £2.70. Unlike some other suppliers, World Telecom charges £10 a year for its card; but it refunds the first two years' subscriptions by allowing the first £20 of calls free.

Interglobe recently cut the cost of its international calling card charges by nearly 30 per cent. It offers a one-minute transatlantic call to America for 50p and five minutes for £2.30, and its calls to Europe cost between 60p and 82p a minute.

Mercury's Calling Card can be used from payphones, private and office phones from either the UK or more than 60 other countries. Calls are charged by the second and Mercury claims that its users can save up to 30 per cent on overseas calls back to the UK against some other cards. With its PIN number and password, Mercury claims that its card is especially secure, but some users may find such security devices cumbersome. With such cards you should always be able to dial any number direct, but a number of hotels persist in preventing callers from by-passing their own switchboards. Others still charge a small amount, even when they permit you to use your own card.

As for charges, this is a market with considerable competition. Interglobe says its calls from the UK can save as much as 40 per cent on BT's standard rate.

If you prefer or need to have a mobile phone, then there is an equally wide choice, thanks to the GSM, the Global System for Mobile Communications. There are now more than 60 GSM networks operating in more than 40 countries. Vodafone's GSM network covers most of Europe, the Middle East, Hong Kong and South Africa. Vodafone's tariff for its BusinessWorld service is a £25 monthly rental, and 25p a minute peak, or 10p a minute for off-peak calls.

Since 1989, BT has been progressively introducing a new service for the business traveller who needs to be in touch while flying. Called Skyphone, the service is now available with 11 long-haul operators, including BA, Virgin, Lufthansa and Air China. By wiping a major credit card through a groove in a handset on board the aircraft, callers can direct dial more than 200 countries, and are charged on a per minute basis of between $8 and $10. Faxes and electronic data can be sent and received, and calls re-routed.

As with any aspect of business travel, choosing how to keep in touch with home is becoming increasingly complicated, but there are some bargains to be had. Prices are likely to come down as competition intensifies – and just about anything is better than using that hotel switchboard.

* *The Good Telecoms Guide. Available from: Running Heads, 88 East Dulwich Grove, London SE22 8TW. £10.50. Tel. and Fax: +44 (0) 171 738 4096.*

■ **Eastern Europe:** By Anthony Robinson

Much happier landings

Significant improvements have been made to airlines in the former communist countries

Many a traveller's tale has its origins in eastern Europe. They recall mysteriously delayed flights, days spent sleeping in airport lounges, and the agony of standing on over-crowded flights, clinging to overhead lockers.

In reality, many have experienced nothing worse on a Soviet airline than scrambling for a seat, a bomb-run approacb by an airforce trained pilot, or the tastelessness of Aeroflot's cold rubber chicken.

Other travellers, however, have fond memories of the intimacy of sharing food and ideas in the crowded compartments of long, slow trains meandering over the expanses of Russia and Ukraine.

But it is difficult to travel between Berlin and the Pacific without the occasional mishap. Mine happened four years ago on a flight to Warsaw via Cracow with LOT, Polish airlines.

The Russian-built Tupolev 154 looked sturdy enough, with its three large engines clustered around the tail and six wheels to each wing. It left on time but we were half an hour late landing at Cracow, at a small military airport which had just opeoed to international flights.

We lurched off the main runway and taxied towards a small group of low buildings whicb served as tbe terminal.

Suddenly, with an enormous bang, the Tupolev bounced into the air and stopped abruptly. From the window I saw a fuel tanker upside down in a pool of aviation fuel which was gushing from a fractured fuel tank inside the wing of our aircraft.

The pilot instructed us in Eoglish and Polish to leave the aircraft immediately.

My front row seat was opposite the emergency exit. I slid down the safety chute and was astonished to find no one following me.

Fortunately the cold wind was blowing the fuel vapour away from the aircraft and its hot engines.

I shndder to think what would have happened had the tanker been hit hy one of the Tupolev's engines rather than a wing. As it was, I nearly had a heart attack when one passenger lit a cigarette shortly after getting out.

Strange things still happen, especially in the former Soviet Union, where the break-up of Aeroflot has led to many under-capitalised airlines flying increasingly ancient aeroplanes.

The quality of service provided by central European airlines has improved greatly following the collapse of communism.

Hotels, restaurants, hire cars and telecommunications have also improved with the arrival of western hotel chains.

Competition and privatisatioo have led to higher standards among hotel and tourism companies in most cities.

Above all, the end of the cold war has made it easier to cross borders than at any time since 1914. Visas are still needed by EU citizens for Russia, Ukraine and most central Asian states *but not for travel to most of* central Europe.

Immigration officials no longer treat travellers as potential spies. Westerners are more likely to find themselves in a long queue at Warsaw airport as oil workers and their wives from Tyumen and elsewhere in the Russian provinces fly in on a chartered jumho jet to go shopping.

Every capital has a prestige husiness hotel. Tirana, the Albanian capital, has the Austrian-huilt Rogner Hotel. Two other hotels in the city are being refurbished.

Economic progress has been so rapid in several central European countries that their currencies are now fully convertible. It is possible to use credit cards.

The Czech koruna and Polish zloty can be bought and sold at airports and banks. Six years ago this would have been unthinkable.

■ **South America:** a magnet for foreign companies, says **David Pilling**

Unravelling the mysteries

After the lost decade of the 1980s, most countries in the region have begun economic reforms

South America remains largely mysterious to many outsiders. Paradoxically, the first-time visitor is likely to find the continent strangely familiar, with its many echoes of European and US architecture, culture and lifestyle.

And business visitors are, indeed, discovering just that. After the so-called lost decade of the 1980s, when South America was reeling from the debt crisis, most countries in the region embarked on economic reforms that have acted as a magnet for foreign companies. Privatisations, revitalised stock markets and tumbling trade barriers have brought a rush of bankers, salesmen, consultants and investors in search of opportunities.

Buenos Aires: cabbies will sometimes take out-of-towners on "scenic", meter-clicking routes *Picture: Glyn Genin*

Getting There. The upturn of business travel is reflected in the ease of reaching most destinations, as the principal airlines add rontes. Most important South American capitals are connected to Miami by direct flights, on American and United Airlines. In many cases national carriers, sucb as Brazil's Varig, AeoroPeru or Lan *Chile also have non-stop flights* to Miami, and sometimes to New York and Los Angeles. From Europe, Iberia and British Airways fly direct – if not always non-stop – to big cities. British Airways now flies to such destinations as Buenos Aires and Santiago de Chile, with the latter route so popular that a second weekly flight via São Paulo, Brazil, has been added. Very cbeap flights, some standby, are available hetween Miami and Caracas, the Venezuelan capital, as local airlines put on no-frills services.

Domestic/Regional Flights. Visitors using local airlines to travel between, or within, countries will find most carriers, many of them privatised in the past few years, much improved. Nonetheless, the majority are still not up to the best international standards. Some have question marks over their safety standards. Domestic airlines, unaccustomed to competition, tend to be very expensive.

It is essential to reconfirm flights as most carriers overbook. Most good hotels will call the airline on your behalf.

Telecommunications. Services vary enormously. In Chile, which now has one of the most modern – and cheapest – tele*phone systems in the world*, calling your head office is painless. In Ecuador, lines are still so crackly that data transfer is unreliable, and it can he difficult to get an international line. From Argentina, calling home is easy if your company has no cash-flow problems: a minute to Europe and the US costs up to $5.

Hotels. Like airlines, botels are generally fine, but most are a little below top international standards. This is changing, however, with many top chains, such as Sheraton and Hyatt, opening luxury hotels to meet the fussiest executive's standards.

Money. The dollar is king in South America, so leave your yen, D-Mark and Swiss francs at home. A British pound may be treated with as much scepticism in Cuzco as would a Peruvian sol in a Darlington chip shop. Credit cards are increasingly acceptable. In large cities, it is also easy to obtain cash advances on plastic.

Taxis. Some cities, sucb as Buenos Aires or São Paulo, are so full of cabs that the streets are a sea of yellow. However, in others – Montevideo and in Uruguay – taxis disappear just when you need one. If yon have a tight schedule of appointments, it may be worth*while hiring* a *chauffeur-driven* car for the day, or simply stopping a taxi and negotiating an hourly rate.

In Buenos Aires, cabbies will sometimes take out-of-towners on "scenic", meter-clicking routes. In Santiago, where taxi drivers have been known to ask directions to the airport, it is wise to know not only the number and street name of your destination, but also the cross street and, if possible, a nearby landmark. If your cabbie gives you a puzzled look when you state your destination, get out and try someone else.

City Life. Latin American cities, distorted by enormous social upheavals, are often huge. São Paulo has 20m inhabitants, Lima in Peru has 12m and Buenos Aires 10m. Even Santiago, capital of a small country of 14m people, has o population of 5m. One of the implications for the business traveller, as well as the obvious issue of safety in some cities, is that it can take a great deal of time to move hetween appointments. São Paulo has midnight traffic jams, so you can never be sure of a congestion-free ride. Try to fix appointments in adjacent parts of the city, or leave plenty of time in between *meetings*.

Business customs. If you are late, it may not matter. That depends where you are. In Paraguay, tardiness is a positive advantage since the punctual are likely to be rewarded with an hour-long wait in a stuffy ente-room.

In Argentina, sticklers for punctuality can specify *la hora inglesa* (English time), which is a warning not to be late. Otherwise half an hour leeway is generally acceptable. Across the Andes in Chile, it is taken for granted that meetings take place at the appointed time.

Dress codes also vary. In Brazil, company directors may well receive you wearing an open-necked, short-sleeved shirt.

In slightly stuffy Chile, however, casnal wear is often frowned upon: dress scruffily here and you may be the object of sniffy looks from the hotel *lift* attendant.

■ **China:** By Tony Walker

Flight rules of engagement

Safety standards are improving but it pays to stick to the principal carriers

Business executives travelling in China these days do not have the luxury of taking a "slow boat", but they can take steps to improve the odds of "surviving" the experience.

After a rash of aviation disasters in the early to mid 1990s, China had earned the reputation of being one of the world's most dangerous locations for the air traveller.

Lax safety standards, poor maintenance, inadequate air traffic control systems, chaotic scheduling – Chinese aircraft rarely left or arrived on time – and a host of other difficulties made air travel in China something of a lottery, if not a nightmare.

Aviation anthorities simply could not cope with an explosion in numbers of passengers, or the proliferation of new regional and feeder airlines – more than 30 at last count. Air traffic grew by 20 per cent in 1993, slowing to 15 per cent in 1995.

Steps clearly needed to be taken to improve safety standards, and bring order to a chaotic sector. China's bad air safety record was affecting tourism, one of the country's more important nascent industries, and was also casting a pall over its reputation as a secure place in which to do business.

It was not until 1994 that Chinese aviation authorities after yet another air crash, attributable to shoddy maintenance, decided that enough was enough. The Civil Aviation Authority of China (CAAC), China's aviation watchdog, froze the establishment of new airlines, slowed the purchase of new aircraft and instituted a campaign to improve safety.

In the past year, there has been a noticeable improvement in the operations of China's airlines. Scheduling has become more reliable and the quality of aircraft in service is better. But air travel in China is far from pleasurable.

Airports, with few exceptions, are primitive. Waiting lounges offer few of the services, such as telephone facilities, taken for granted elsewhere, and business and first-class lounges are not worthy of the description.

While China may have made giant strides economically in the past decade, its transport systems are those of a developing country.

An absence of a national highway network means that road transport between cities is not, for the moment, an option except in a few cases. Rail transport is a relatively efficient means of getting from A to B, but securing tickets on a heavily hurdened system can be difficult. And ferry travel on China's polluted inland waterways is not recommended, except in the case of the Yangtze and Pearl rivers. Which leaves air travel as the "least worst" method of getting about.

For business visitors, or ordinary tourists, there are several "do's" and "don'ts". Air travellers should, where possible, stick to three or four main airlines whose safety and maintenance standards tend to correspond more closely with international requirements.

Air China, the national carrier, operates a fleet of relatively new Boeing aircraft and travels to most destinations in China, as well as maintaining a fairly extensive international network. China Southern and China Eastern operating from Guangzhou and Shanghai respectively are building reputations for reliability.

Among "don'ts" is to avoid regional airlines that are operating Russian-built aircraft such as Antonovs and Ilyushins. These tend to be old planes, and their serviceability is dubious. Travellers should not be afraid to establish clearly in advance which airline they are taking and type of aircraft.

Where possible, visitors should make bookings for internal flights before arriving in China.

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